

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-3

Date of Response: 1/11/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 7 of 34, Lines 9-12, footnote 3. Please provide analytical support for the assertion that “40 auctions have generated almost \$187,000,000 in benefit to New Hampshire.” If needed, provide necessary leads to relevant documents.

RESPONSE:

Please see the attached table of exact data to support that statement. The correct total number of auctions is 42 and total auction proceeds is \$140,768,526. Enel X apologizes for the unintentional clerical error and any confusion that may have caused.

Table OCA 1-3

Auction #	Total Allowances Sold	Total Auction Proceeds
Auction 1	--	--
Auction 2	1,189,610	\$ 4,020,882
Auction 3	1,276,461	\$ 4,440,427
Auction 4	1,276,460	\$ 4,021,351
Auction 5	1,276,460	\$ 2,767,655
Auction 6	1,425,941	\$ 2,911,034
Auction 7	1,571,954	\$ 3,236,107
Auction 8	1,573,863	\$ 2,957,125
Auction 9	1,175,405	\$ 2,186,253
Auction 10	900,236	\$ 1,674,439
Auction 11	1,746,273	\$ 3,300,456
Auction 12	487,427	\$ 921,237
Auction 13	263,886	\$ 498,745
Auction 14	944,201	\$ 1,784,540
Auction 15	1,021,008	\$ 1,970,545
Auction 16	1,047,521	\$ 2,021,716
Auction 17	1,069,204	\$ 2,063,564
Auction 18	868,680	\$ 1,676,552
Auction 19	1,821,863	\$ 5,101,216
Auction 20	1,650,162	\$ 5,297,020
Auction 21	1,650,162	\$ 4,405,933
Auction 22	1,650,164	\$ 4,950,492
Auction 23	1,081,406	\$ 4,325,624
Auction 24	648,741	\$ 3,256,680
Auction 25	648,741	\$ 3,165,856
Auction 26	648,741	\$ 3,379,941
Auction 27	848,829	\$ 4,592,165
Auction 28	943,809	\$ 5,190,950
Auction 29	1,370,698	\$ 8,251,602
Auction 30	848,830	\$ 6,366,225
Auction 31	820,469	\$ 4,307,462
Auction 32	913,075	\$ 4,136,230
Auction 33	820,469	\$ 3,724,929
Auction 34	820,469	\$ 2,912,665
Auction 35	792,817	\$ 2,378,451
Auction 36	882,443	\$ 2,232,581
Auction 37	792,817	\$ 3,448,754
Auction 38	792,818	\$ 3,012,708
Auction 39	765,857	\$ 2,902,598
Auction 40	853,761	\$ 3,432,119
Auction 41	765,857	\$ 3,446,357
Auction 42	765,858	\$ 4,097,340
TOTAL	42,713,446	\$ 140,768,526

Source: <https://www.rggi.org/auctions/auction-results>

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-6

Date of Response: 1/11/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 8 of 34, Lines 12-14. Please provide the tally of how many sealed bid auctions, descending clock auctions, and live, online reverse auctions, respectively, Enel X has conducted over the last ten years.

RESPONSE:

Over the last ten years, Enel X has conducted 42,439 sealed bid events, 296 descending clock auctions, and 17, 939 live, online reverse auctions [data as of January 3, 2019].

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
 Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
 Request No. OCA 1-7

Date of Response: 1/18/19
 Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 8 of 34, Lines 17-19. Please indicate whether Enel X has ever quantitatively estimated to what extent live, online reverse auctions produce more competitive prices, relative to the other types of auctions. If the answer is in the affirmative, please provide the quantitative analysis. If the answer is no, please explain why this is the case.

RESPONSE: Yes, Enel X continuously tracks and quantifies results to demonstrate the higher level of competition our process and technology bring. Because Enel X runs auctions in many different markets, at all times of the year under varying market conditions, and for many different product types, the most illustrative quantitative data are:

- a) Comparing to a utility's internal Price to Compare (PTC) value,
- b) Comparisons with the Intercontinental Exchange (ICE), and
- c) Market information of more competitive results using auctions.

a) Price to Compare (PTC) – Utilities will often have an internal expectation of an energy commodity price that reflects their understanding of current market conditions for that commodity. When they go to market to buy this commodity, if that PTC threshold is achieved, they will transact. If not, they will not. As it reflects their current understanding of the market, if the PTC were achieved under a sealed bid model, the utility would accept the bid, and lose the additional downward pressure competitive auctions deliver. Therefore, the delta between a utility's PTC and the price that the Enel X process delivers is important. In some instances, utilities share their PTC with Enel X. In those instances, Enel X is able to assess the extent to which the procurement method is able to meet or exceed the utility's price expectations. In a recent supply auction run by Enel X for 2019 and 2020, the final auction prices, as compared to the PTC for those procurement events, was lower by a range of 6% to 27%. In another recent capacity auction, the average final auction results were 17.27% below the utility's internal PTC threshold. Enel X attributes those results to the head-to-head competition that our process fosters. Exceeding a utility's expectations on final prices is common and results in real savings to ratepayers.

b) Intercontinental Exchange – ICE is an electronic marketplace for energy commodities, similar to the New York Stock Exchange for corporate stocks. For certain products, utilities are able to log onto ICE and buy what they need. Prices update in real-time, just like the stock market, which suggests that the price on ICE is the prevailing market price for a commodity product. In a recent auction for a long-term partner, the exact same product in the Enel X auction was available on ICE. The price on ICE, at the same time of the auction, was \$39.90/MWh. Given that ICE is a good indicator of the market for a product at a specific point in time, one

would expect bidders to have only bid down to \$39.90. However, the competitive environment that Enel X's method provided drove the price to \$37.88/MWh, which meant the customer saved over \$2.00/MWh, and resulted in significant ratepayer savings.

c) Market Information – The Ohio Consumers' Counsel recently filed comments with the Ohio Public Utilities Commission recommending that all large natural gas utilities use competitive auctions to procure default service. The counsel noted that, "Recent and historical evidence suggest that customers pay less for natural gas through competitive auctions." The counsel noted that the LDCs in Ohio that used competitive auctions (all of which work with Enel X), have rates, on average, that are \$0.3333/Mcf lower than Duke Energy's rates, which does not use such auctions. The counsel argued that their recommendation, "will, among other things, help protect consumers from paying higher than just and reasonable prices for natural gas service."

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-8

Date of Response: 1/11/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 9 of 34, Lines 4-5. With respect to an Eversource procurement event, please provide Enel X's expectation as to its involvement apart from focusing on automating and enhancing the bidding process with technology-enabled auctions.

RESPONSE:

The extent of Enel X's involvement would be determined by Eversource. Some of our utility partners turn to us for extensive support throughout the RFP process, including but not limited to supplier recruitment and engagement. Other utility partners turn to us simply for the automation of bidding with the competitive results Enel X delivers. We take direction from our partners on the depth of our involvement.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-10

Date of Response: 1/18/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 13 of 34, Lines 17-19. Please provide analytical support (quantitative or otherwise) that supports the assertion that “[i]n EnerNOC’s experience, the inability to respond to price movements in the final moments of an auction leads to aggressive competition among bidders and pushes prices lower.”

RESPONSE:

With the Enel X live, online reverse auctions, two critical things occur:

- (1) Throughout the first nine or so minutes of a ten-minute auction, bidders are able to get just enough price information to improve their earlier bids.
- (2) In the final seconds, in the time it takes a bidder to enter their final bid, they lose that price discovery as a result of moving through the bid entry and confirmation screens. That, combined with the defined hard stop to each auction, creates a situation in which bidders – if they haven’t done so already – are compelled to offer their best-and-final offers if they want to meaningfully increase their chances of winning.

The table displays supplier bids for a 10-minute auction of an electric commodity. The table's data are real bids, from an actual auction run by Enel X. Note, the left column "Bidder" are supplier companies who enter "Bid Amount" (middle column) at time listed in the right column "Time of Bid", which counts down chronologically; the auction starts at 10:30 (top of table) and ends at 10:40.

In the final minute:

- 8 bidders place 15 bids;
- 4 bidders have each placed 2 bids;
- 1 bidder has placed 4 bids.

In the final 20 seconds, there are seven different bids all from different bidders.

This bidding activity illustrates that bidders benefit from price discovery. As their competitors offer better bids, bidders are driven to get more and more competitive themselves.

Bidder B bids \$35.00 at 10:39:18. With 40 seconds left, Bidder B gains price discovery as multiple bids come in right after Bidder B's bid. In the last seconds, each bidder is compelled to submit a best and final bid. In this example, Bidder B, who is clearly competing to win, provides their best and final of \$32.65. In the time it took Bidder B to enter that bid, Bidder J was also entering their best and final of \$31.75. Bidder J had the ability to go the lowest, which is why Bidder J won the auction. Price discovery helps drive prices down and the sealed bid element compels bidders to be as aggressive as possible.

Bidder	Bid Amount	Time of Bid
	Auction Begins	10:30:00
Bidder A	\$39.90	10:30:19
Bidder B	\$39.50	10:30:27
Bidder C	\$39.97	10:30:35
Bidder D	\$40.00	10:30:43
Bidder E	\$39.75	10:30:59
Bidder F	\$40.00	10:31:13
Bidder G	\$38.00	10:31:22
Bidder D	\$39.25	10:31:25
Bidder H	\$40.00	10:31:26
Bidder E	\$39.25	10:31:41
Bidder D	\$37.75	10:31:47
Bidder I ¹	\$40.00	10:32:08
Bidder J	\$40.00	10:32:17
Bidder E	\$37.50	10:32:25
Bidder J	\$37.25	10:34:06
Bidder K	\$39.90	10:34:14
Bidder A	\$37.15	10:34:17
Bidder D	\$37.00	10:34:37
Bidder B	\$36.90	10:37:30
Bidder D	\$36.75	10:38:23
Bidder G	\$36.00	10:38:52
Bidder J	\$35.75	10:39:12
Bidder B	\$35.00	10:39:18
Bidder K	\$36.45	10:39:23
Bidder G	\$34.90	10:39:26
Bidder K	\$34.98	10:39:27
Bidder D	\$34.75	10:39:27
Bidder K	\$34.53	10:39:32
Bidder G	\$34.20	10:39:38
Bidder D	\$34.25	10:39:42
Bidder A	\$34.10	10:39:45
Bidder H	\$32.74	10:39:47
Bidder K	\$34.03	10:39:52
Bidder I	\$34.98	10:39:54
Bidder J	\$31.75	10:39:55
Bidder B	\$32.65	10:39:59
	Auction Ends	10:40:00

¹ Bidder I and Bidder J join the auction after 10:32, at the opening price level. Bidders have to submit a transactable bid to participate and see competitors' bids.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-11

Date of Response: 1/18/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 14 of 34, Lines 4-6. Is it Enel X's position that "online reverse auctions" with "interactive technology platforms" that can automate many steps, necessarily produce more competitive prices? If the answer is in the affirmative, please explain the basis for that conclusion. If not, please explain under what conditions/features does an online reverse auction necessarily produce more competitive prices. If possible, please provide analytical or empirical support for the Company's assertion.

RESPONSE:

Yes, it is Enel X's position that live, online auctions necessarily produce more competitive prices. Please see responses to OCA 1-7 and OCA 1-10. Auctions have historically been run in live environments to induce greater competition; the interactive Enel X Exchange platform provides real-time price discovery for bidders where all bidders can see the prevailing low price in an auction until the final seconds and can offer increasingly aggressive bids to best their competitors. A sealed bid process simply does not have that competitive element. With a sealed bid model, bidders offer what bid they think will win within the bounds of what the bidder thinks the customer can afford, and not what the bidder can actually afford.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
 Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
 Request No. OCA 1-12

Date of Response: 1/18/19
 Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 15 of 34, Lines 1-2.

- a. Is Enel X aware of any peer reviewed research that supports its assertion that “real-time, dynamic price discovery and short auction duration facilitates the most competitive auction outcome possible”? If so, please provide the leads or the relevant documents.
- b. Does Enel X have any support for the above assertion based on its own analysis? If so, please provide the supporting documents/analysis.

(a)

1. **Wyld, David C. *Reverse Auctioning – Saving Money and Increasing Transparency*. The IBM Center, 2011.**

Accessed 1/3/19 from:

<http://www.businessofgovernment.org/sites/default/files/Reverse%20Auctioning.pdf>

From the Executive Summary:

“Benefits of Reverse Auctions

This report begins with an overview of how reverse auctions work in the procurement context. Next, the benefits of reverse auctions are examined. These include:

- Driving prices down. Lowering the price to be paid by the organization across a wide swath of its procurement outlays for appropriate categories of goods and simple services
- Increased competition. Opening access to bidding from an expanding pool of suppliers to heighten competition in the procurement process
- Real-time market pricing. Since competitors can adjust their bids multiple times in response to other competitors' prices, the first and best offer can be improved to the benefit of both the buyer who saves hard dollars and the seller who ultimately gains the business.
- Process efficiencies. By leveraging the reverse auction tool, the acquisition function can be improved and generate soft-dollar savings through efficiency gains and more productive use of time, manpower, and resources.
- Time savings. Compressing the buying process from weeks or months to days or even hours, benefiting both sides of the procurement equation

- Increased number of suppliers. Encouraging new entrants into the contracting process to provide benefits to small businesses that enter
- Sustainable cost savings. Delivering not just cost savings in the initial round of reverse auctioning, but ensuring that the organization is paying a real-time market price on subsequent like acquisitions”

2. **Luiz T. A. Maurer, Luiz A. Barroso; with support from Jennifer M. Chang [et al] *Electricity auctions: an overview of efficient practices*. Washington, DC: The World Bank, 2011**

Accessed 1/3/19 from:

<https://www.ifc.org/wps/wcm/connect/8a92fa004aaba73977bd79e0dc67fc6/Electricity+and+Demand+Side+Auctions.pdf?MOD=AJPERES>

This study was written, in part, for, “...professionals interested in learning how to improve the competitiveness of existing electricity procurement mechanisms, taking into account recent academic and empirical evidence.”

Excerpts from the Executive Summary:

“Auctions represent a competitive and efficient form of procuring electricity. They are far superior to single sourcing, ‘beauty contests,’ or bilateral negotiations, which are not necessarily efficient and are more apt to be challenged when the political winds change.”

“A clock auction enables an efficient price discovery, and is therefore conducive to more aggressive behavior among bidders, thereby resulting in lower prices.”

“Well-designed auction systems should achieve the following goals:

- A fair, open, transparent, objective, non-discriminatory, and timely process;
- An efficient price discovery mechanism, minimizing information and transactions costs;
- An outcome in which bidders who can provide a product at the lowest cost will win, ensuring optimal use of resources;
- Minimization of the likelihood of challenges to the selection process and outcome, avoiding post-auction delays, and
- An attractive, less-disputable solution to the regulatory issue of establishing the prudent power purchase costs incurred by distribution utilities when serving their captive customers.”

3. For research that speaks to the impact of short-duration auctions on competition, see **Haruvy, E., & Popkowski Leszczyc, P. T.**, *The impact of online auction duration*. *Decision Analysis*, 7(1), 99–106 (2010).

https://www.researchgate.net/publication/220210242_The_Impact_of_Online_Auction_Duration

(b) Yes, please see the response to OCA 1-7 and OCA 1-10.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
 Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
 Request No. OCA 1-13

Date of Response: 1/18/19
 Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 17 of 34, Lines 13-19, and Page 18 of 34, 1-2.

- a. If the “sealed bid element” of bidding is captured in the waning moments, please explain why the live, online reverse auction can still produce outcomes that are more competitive than running a sealed bid auction right from the word go.
- b. In the event of a thinly participated technologically enabled live, online reverse auction, is it possible that the price discovery leads to an outcome wherein the sealed bid element in the waning moment actually produces a higher price than what would have been produced under the traditional sealed bid auction construct? If not, please clearly explain why so.

RESPONSE:

(a) In a sealed bid process, suppliers offer one bid with the hopes of winning the business. Suppliers develop their bids by considering the cost of the energy commodity, the profit margin the supplier hopes to gain, and risk premiums the supplier attaches to the product. Suppliers want to maximize their profit, but they know that their competitors may undercut them and win the business. As such, there is a push and pull where suppliers are driven to add a profit margin while not adding too much of a profit margin that results in them losing the business. Therefore, in a sealed bid process, the winning supplier is often just the best guesser – the supplier who guessed what their competitors would bid and offered a slightly better bid.

As illustrated in our response to OCA 1-10, live, online reverse auctions reveal to suppliers what the prevailing low bid is during a defined, brief, pre-determined bidding window. Suppliers see what the prevailing low bid is and compete head-to-head, driving prices down. If a supplier sees other bids coming in lower, they can adjust their profit margin and/or premiums in order to offer a lower price. Without price discovery, suppliers would not be compelled to dig deeper and offer a more competitive price.

In the final seconds of an auction, all bidders are able to enter their last bid. Because there is a hard stop to the auction, their last bid cannot be adjusted. They are motivated to best their competition and offer their best price.

At the end of an auction there will be a winner and there will be losers. To win, suppliers need to offer the best price. Price discovery helps suppliers better understand what they need to do to win.

A sealed bid process favors the best guesser. A live, online reverse auction favors the supplier who has the ability to offer the best price.

(b) We contend that price discovery delivers more competitive outcomes. We also assert that the best approach for delivering competitive outcomes is to be deliberate about the design of each auction, and to implement an auction architecture that yields the most competitive outcome.

Auctions result in competitors losing and at least one competitor winning. In that sense, auctions can be seen as binary – someone wins, someone loses. That dynamic compels bidders to be more aggressive than their competition, as demonstrated in our response to Question 10. In the final seconds of an auction, no bidder knows how low their competitor will bid. Therefore, bidders are compelled to offer their true best and final. A live, online reverse auction creates a more competitive dynamic where bidders go head-to-head with their rivals and are motivated to best their competition. Without price discovery, competitors are taking a shot in the dark to see if they win, stifling competition. With price discovery, Enel X observes back-and-forth activity where bidders are seeking to undercut the bids of their competition to win. That competitive element helps prevent prices in a live, online reverse auction from settling higher than would have been seen in a sealed bid process alone.

Determining the most appropriate auction architecture is paramount to maximizing the probability for a successful outcome. Please see response starting on Line 10 of P. 19 of Testimony, ending on Line 19 of P. 20. Significant effort is taken before an auction, such as a formal indicative bid round or informally polling suppliers, to determine the likelihood of a competitive outcome in the auction and to determine a starting price for the auction with which the utility feels comfortable.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-14

Date of Response: 1/18/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 19 of 34, Lines 23-24.

- a. Provide a concrete example of how with only two bidders, one can design a live, online reverse auction that would still support a competitive outcome.
- b. Has there been any instance wherein Enel X has implemented a live, online reverse auction for energy procurement that has demonstratively produced a competitive outcome for ratepayers? If so, please provide the instance and supporting documents that corroborates the finding.

RESPONSE:

(a) Enel X has run 199 successful wholesale energy auctions where there have been just two unique bidders participating. Awards were given in all auctions, demonstrating the utilities' satisfaction with the outcome. Across successful two-bidder wholesale energy auctions, Enel X has averaged four unique bids per auction, with some auctions garnering up to 10 unique bids.

The reason auctions with only two bidders remain competitive is that no bidders know how many other bidders there are. They also do not know the number of bids. Bidders only know the prevailing best bid and if it belongs to them or not. Even with that knowledge, bidders never know that there aren't numerous other bidders waiting until the final moments of the auction to offer a lower price at the final seconds. As such, even with two bidders there can be competitive auctions.

(b) Yes, there are several instances. Please see responses to Questions 7 and 10.

For examples of an independent consultant stating that the Enel X live, online reverse auction demonstratively produced competitive outcomes, please refer to Pages 27-28 of our testimony and the statements from Liberty Consulting.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
 Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
 Request No. OCA 1-15

Date of Response: 1/11/19
 Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 20 of 34, Lines 7-12. Given that bidders do not know how many other bidders are participating in an instant live, online reverse auction, please explain how greater price discovery could lead to an outcome that is more competitive than the outcome obtained with a traditionally run sealed bid auction. If necessary, please provide an example to lucidly support the point.

RESPONSE:

Price discovery in Enel X auctions is limited to the prevailing low bid. Bidders do not know how many competitors there are, who they are, or how many bids have been placed. That limited price discovery allows bidders to adjust their bids to win the business, but does not let them know who else is out there. Different bidders use different strategies to win. Some bidders, after entering an initial bid, will withhold subsequent offers, until the final seconds of an auction and then submit a low bid. All other bidders know of that threat and tend to offer their most competitive bids in the last moments to squeeze out competitors. In the final seconds of an auction, Enel X regularly observes the prevailing low bidder come in and undercut themselves in order to win. That is evidence that there is real concern bidders have about being beat out, which drives them to go to their absolute limit.

Here is an example from outside of the energy world that lucidly supports the point:

Buying a home traditionally uses what amounts to a sealed bid process. Offers are submitted bilaterally through a realtor and are either rejected or accepted by the seller. This is not a favorable model for either the buyer or the seller.

- It is bad for the seller because buyers submit the price that they think the seller will accept, not the price a buyer can afford. If Buyer A offered \$100,000 for the house and Buyer B offered \$110,000, Buyer B would get the house. However, Buyer A was just offering what she thought the seller would accept. Had Buyer A known Buyer B offered \$110,000, Buyer A could have easily offered \$120,000. In this example, the seller loses because without price discovery, no mechanism was there to push the price up where it could have gone. While the seller could have come back and asked for more bids, there would always be doubt on the buyers' part, asking, "is this a bluff, is there really a higher bid out there?" If an open, transparent auction were used, the actual prevailing best bid would be displayed. Buyers would have trust in the process and be able to get more aggressive to win.
- A sealed bid process is bad for the buyer because, just like in the example above, buyers do not have the ability to adjust their bids in response to other offers. Buyer A may have

desired the house and really wanted to get it, but perhaps Buyer A or her realtor just underestimated the market. Had they known the market was more aggressive and that somebody would likely offer more than \$100,000, Buyer A would have offered more. Unfortunately, people gauge markets differently and prices do not always reflect true demand. In an auction with price discovery, the market gets defined in real time and Buyer A could have converted her desire for the house into more and more competitive bids until she won. Without price discovery, it is the best guesser who wins in a sealed bid, not necessarily the bidder who could have outbid the rest.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-19

Date of Response: 12/14/18
Witness: Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 27 of 34, Line 7. Please provide a copy of the referenced document as cited in footnote 20.

RESPONSE: See attached: Liberty Consulting Group, Technical Consultant's Final Report to the Delaware Public Service Commission, Delmarva Power & Light's 2015-16 Request for Proposals for Full Requirements Wholesale Electric Supply for Standard Offer Service, March 8, 2016, p. 6.

DE 18-142
Enel X North America f/k/a EnerNOC

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement
Enel X's Responses to OCA Data Requests – Set 1

Date Request Received: 12/7/18
Request No. OCA 1-20

Date of Response: 1/18/19
Witness: Sean Perry and Greg Geller

REQUEST: Refer Testimony of Sean Perry and Greg Geller, Page 34 of 34, Lines 1-4. Please provide the basis for Enel X's assertion that "most of the suppliers who are currently participating in Full Requirements Energy Service procurements in New Hampshire are familiar with the live, online reverse auction process and EnerNOC's platform."

RESPONSE:

Enel X reviewed recent winning suppliers on the NH PUC website. Non-winning bidders are redacted from the site, so Enel X has not reviewed those. Based on the overlap between suppliers who participate on the Enel X Exchange and the aforementioned winners, Enel X is confident that winning bidders have used the Enel X Exchange platform.

Additionally, Enel X has compared the list of companies participating on the Enel X platform with the companies identifying as suppliers, as generators, and as alternate providers in the ISO-NE Customer Directory. That review makes us confident that suppliers serving the New Hampshire market are familiar with the process and our platform.

Finally, when Eversource sends out an RFP, all supplier emails are visible. Enel X reviewed the suppliers contained in Eversource's May 9, 2018 email, in which Eversource announced a RFP seeking default service. We found a significant overlap between those who received that email, especially the larger energy suppliers, and users of our platform.

Enel X North America, Inc.
Docket No. DE 18-142

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19; 7/30/19
Request No. Eversource 1-1

Date of Response: 7/15/19; 8/14/19
Witness: Greg Geller

REQUEST:

- 1.1. Please provide a list of companies/utilities for whom Enel X has hosted supplier of last resort (“SOLR” or default service) live online reverse auction services.
- 1.2. How many of these auctions have been conducted?
 - 1.2.1. Include the energy volumes of these transactions
 - 1.2.2. Include the dollar volumes of these transactions,
 - 1.2.3 Include delivery terms for the SOLR service procured.

SUPPLEMENTAL REQUEST:

1.3 Please provide the names and contact information for any additional utilities using Enel X’s reverse auction services, or similar services from another provider – and, in particular any utility which uses those reverse auction services to procure full requirements default/standard service.

RESPONSE:

1.1 Enel X is assuming that Eversource is using “default service” and “SOLR” to mean customers in deregulated states with competitive choice. The utilities that have allowed Enel X to disclose for which Enel X has hosted supplier of last resort (“SOLR” or default service) live online reverse auction services are:

- Delmarva Power & Light Company (“Delmarva Power”)
- Con Edison
- Orange & Rockland

Enel X currently supports many additional utilities with live online reverse auctions in vertically integrated territories.

1.2 Enel X has conducted 225 auctions for the utilities that have allowed Enel X to disclose that Enel X has hosted supplier of last resort (“SOLR” or default service) live online reverse auction services.

In particular, the Delmarva Power & Light Company procurements have many similarities to what Eversource is seeking to procure, have similar supplier participation, and are slightly larger in energy commodity volume.

1.2.1 Energy volumes have varied as a result of various factors, including load and contract term. Of these utilities, only Delmarva publically shares the energy volumes. For the most recent SOS round of procurements, please see Delaware Public Service Commission's Docket #18-1065, with filing date of September 9, 2018, and titled *In The Matter Of Provision Of Standard Offer Supply To Retail Consumers In The Service Territory Of Delmarva Power & Light (Filed September 7, 2018)*, which provides information on the energy volumes and other procurement details, starting on page 64 of the PDF file. In the most recent procurement round, in aggregate, the capacity peak load contribution was 510.1 MW.

1.2.2 Dollar volumes are confidential to Enel X's utility partners and they have not authorized Enel X to disclose the dollar volumes.

1.2.3 Because of multiple interpretations of the phrase "delivery terms", we point out that these details are set forth both in the Request for Proposals, starting page 62 of the PDF file, and Article Four: Full Service Requirements Agreement, starting page 103 of 266 of the PDF file.

SUPPLEMENTAL RESPONSE:

1.3 Outside of the utilities listed above, Enel X has not served other utilities specifically procuring a wholesale Default Service/SOS full-requirements electric product. Please also see Supplemental Response to Request No. Eversource 1-3.

**Enel X North America, Inc.
Docket No. DE 18-142**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19; 7/30/19
Request No. Eversource 1-2

Date of Response: 7/15/19; 8/14/19
Witness: Greg Geller

REQUEST:

Please explain why Enel X believes it is necessary or advisable to deploy its platform and to engage an additional third party entity for a small number of bids that are typical of SOLR bids in New Hampshire versus the large number of bids that automated Internet based bidding can accommodate.

SUPPLEMENTAL REQUEST:

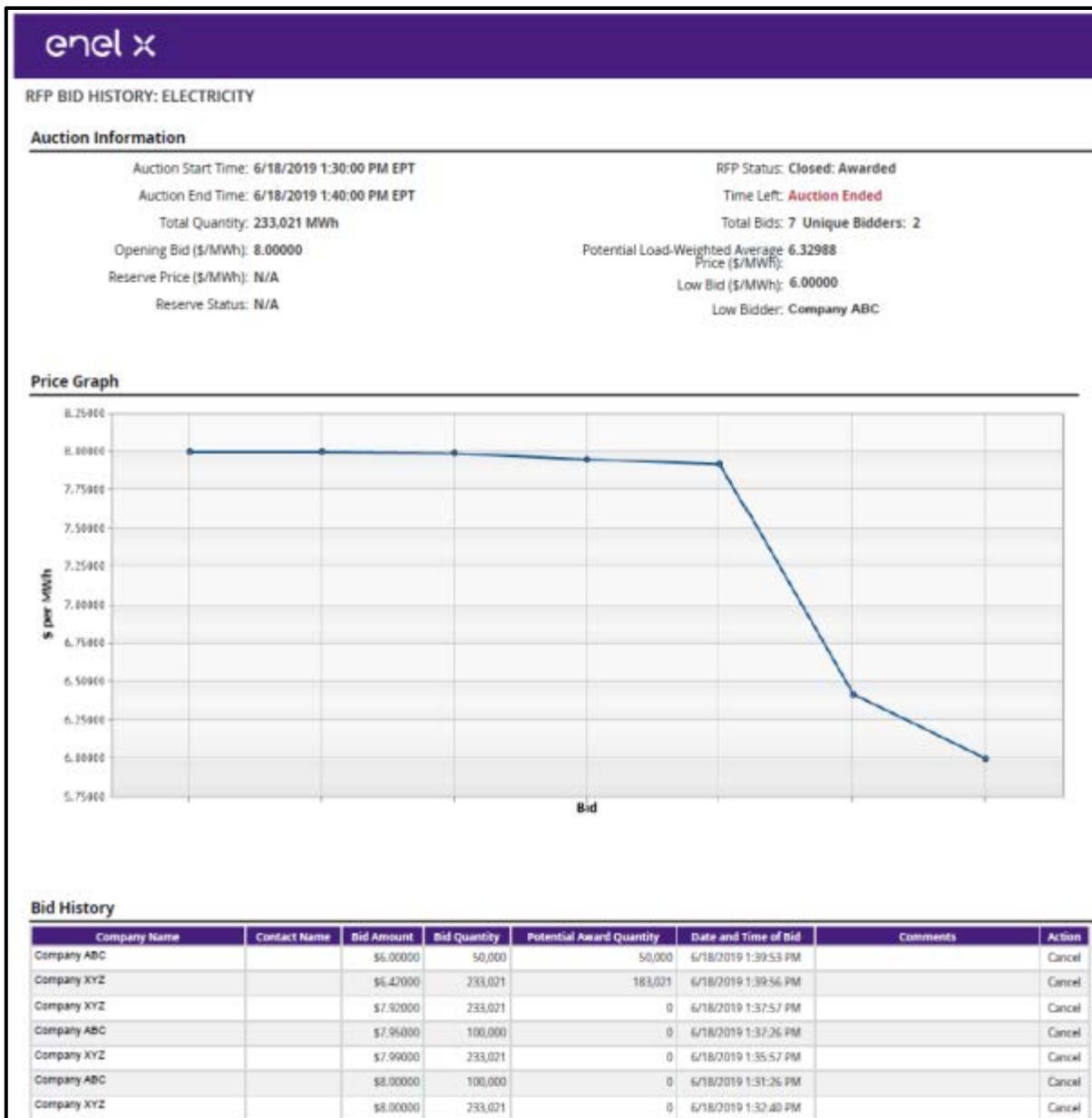
Please explain how the reverse auction works, and the benefits to be obtained, in the circumstance where there is only a single bidder.

RESPONSE:

Please see responses to OCA 1-10, OCA 1-13, and OCA 1-14, and pages 4-5 of Enel X's petition and the response starting on line 10 of page 19 of Enel X's testimony, ending on Line 19 of page 20.

Live, online reverse auctions have proven to foster competition even with a small number of bidders. As an example, below please see the anonymized bid screen from a recent Enel X auction for which there were two bidders. The bidders did not know there were only two bidders, and continued to better their offers to increase their chances of winning. When bidders can see the prevailing low bid in a live, online reverse auction, they are able to revise their bids to win. The sealed bid model is not able to drive the highest level of competition because bidders are not able to improve their bid. Bidders in a sealed bid model are, in effect, guessing what price Eversource will accept; they are not driven to offer the best price they can afford.

A live, online reverse auction can accommodate a small or large number of bidders; in either scenario, auction design is paramount. As Eversource does not currently have an online tool for online auctions, it is advisable that it engage a third party to secure the most competitive bids for ratepayers.



Additionally, it is advisable to engage a third-party manager given benefits related to bidder participation, transparency, control and security, and providing a visual indicator of impartiality. See, Enel X Response and Comment on Liberty’s July 25, 2018 report to the New Jersey Board of Public Utilities provided to the parties on April 26, 2019.

SUPPLEMENTAL RESPONSE:

Outcomes from reduced participation are not isolated to any one auction method. In the event of a sealed bid with a single supplier, the utility – and by extension, the ratepayers – are simply a pricetaker. In sealed bid events that have limited participation, the opportunity for collusion among suppliers is greater, and conversely, this condition is at least addressed if not mitigated by

using price discovery, which offers greater transparency to all parties, including the parties monitoring the procurement event.

A properly structured auction event would take early mitigative steps to reduce the likelihood of a single bidder event. Market dynamics, timing, counterparty interest, and the goals of a utility all play a role in auction design, and, should conditions be forecast that a reverse auction is not the best procurement method, Eversource, and the Commission, would have early indicators, and be able to adjust aspects of the procurement to ensure the most competitive outcome, to the benefit of the ratepayers. (see Testimony, page 15, ln 3 to ln 24; page 19, ln 10 to page 20, ln 19.)

**Enel X North America, Inc.
Docket No. DE 18-142**

CONFIDENTIAL ATTACHMENTS (not provided with Supplemental Testimony)

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19; 7/30/19
Request No. Eversource 1-6

Date of Response: 7/15/19; 8/14/19
Witness: Greg Geller

REQUEST: Please explain or describe the indemnifications provided in utility SOLR auction services agreements addressing issues such as mis-execution, post-auction claims, regulatory disapprovals, IT security, etc.

SUPPLEMENTAL REQUEST: With respect to Eversource questions 1-3, 1-4, 1-5, 1-10 or others with confidentiality claims. Please provide a non-disclosure agreement that may be reviewed by Eversource pertaining to these responses. Also, please review the materials for which confidentiality has been claimed to determine whether such claim is proper.

RESPONSE:

Enel X provides the means by which a utility collects bids. All agreements to provide SOLR are made between Eversource and the bidder(s) to whom they allocate awards following an auction. If auctions are not successful in meeting the utility partner's requirements, the auction result would be non-binding for Eversource. Eversource does not have to award anything following such an auction. It is important to note, however, that Enel X has a track record of successful procurements. If a natural event (e.g, hurricane, heat wave) or unplanned event (e.g., gas pipeline disruption) impairs or shuts down supply, Enel X would recommend delaying the auction until the adverse event is resolved. Use of the Enel X platform does not change the agreements that exist between Eversource and its suppliers with respect to claims.

Enel X's customary indemnification clauses are contained in **Attachments Eversource 1-3.1 and 1-3.2**.

With respect to confidential material responsive to this request, Enel X has a good faith basis for seeking confidential treatment of the subject information pursuant to Puc 203.08 and RSA 91-A:5 because the information contains sensitive commercial information, the public disclosure of which would adversely affect Enel X's competitive position. Enel X intends to submit a motion for confidential treatment regarding the confidential information at or before the commencement of the hearing in this proceeding.

SUPPLEMENTAL RESPONSE: The non-disclosure agreement has been signed by Enel X and Eversource. As such, please see attached **Attachments Eversource 1-3.1 and 1-3.2**. Enel X, still regards these documents as confidential.

Enel X North America, Inc.
Docket No. DE 18-142

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-7

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST:

- 7.1 How are supplier credit and pre-approval requirements addressed during the procurement process?
- 7.2 Who handles these requirements?

RESPONSE:

7.1 Enel X can support as much or as little of these administrative elements. Typically, utilities prefer to maintain control over assessments of credit exposure to suppliers and find it helpful when Enel X takes on some portion of these tasks, and further helpful to tackle the bulk of the remaining pre-approval requirements.

Eversource would still make the final decisions as to a supplier's creditworthiness and fulfillment of pre-approval requirements. Typically, a utility will have, in the RFP, provisions or conditions outlining conditions that a supplier will have to meet, or to demonstrate that the supplier has the financial wherewithal to perform its obligations.

Further, the utility may have specific credit thresholds related to a certain supplier, which are tied, for example, to the utility-partner's existing credit exposure to the supplier, and the utility's assessment of the creditworthiness of a supplier.

These requirements would be reflected in Enel X procurement materials.

Enel X has supported utilities-partners with a wide range of financial tasks, from arranging for and administering escrow accounts for pre-bid collateral, to tracking materials from suppliers related to documenting financial health, or materials required for credit-enhancement or improvement actions, to tracking the utility-partner's increasing financial exposure with a cohort of suppliers as the utility makes award allocations, and to having very limited involvement in this area of administering procurements.

7.2

For some customers, Enel X handles part or all these requirements, necessary to provide assurance and documentation to the utility, of the supplier's financial health, and willingness to meet financial requirements to participate, as determined by the utility.

For other customers, the utility administers 100% of the tasks related to credit and pre-approval requirements.

**Enel X North America, Inc.
Docket No. DE 18-142**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19

Date of Response: 7/15/19

Request No. Eversource 1-11

Witness: Greg Geller

REQUEST:

11. Reference OCA 1-3. The question notes an assertion from Enel X witnesses regarding a “benefit to New Hampshire.” The response answers the question by identifying “auction proceeds” relating to RGGI auctions.

11.1. Please explain how the identified auction proceeds are equivalent to “benefit to New Hampshire.”

11.2.

11.2.1. Please also describe what kind of auction is used by the RGGI and

11.2.2. how Enel X is engaged in the RGGI auction.

RESPONSE:

11.1

The RGGI program has generated over \$3 billion in proceeds for participating states and nearly \$150,000,000 for New Hampshire.¹ There are environmental, consumer, and economic benefits. Participating states are able to invest that money how they want: in direct savings to consumers, in efficiency programs, etc.² Across the participants, for years 2015-2017 alone there has been \$1.4 billion in net economic benefit³ and 14,500 additional job years.⁴ For the life of the program there has been a net economic benefit of \$4 billion, and tens of thousands of additional job years.⁵

Sue Tierney, Senior Advisor of Analysis Group who studied RGGI’s economic impact, stated of the program: “I think this provides evidence of the fact that you can design a carbon-control

¹ Source: <https://www.rggi.org/auctions/auction-results>, accessed July 12, 2019.

² Hibbard, Paul, Tierney, Susan, Darling, Pavel, Cullinan, Sarah. *The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States: Review of RGGI’s Third Three-Year Compliance Period (2015-2017)*. 2018. p.31.

At:

https://www.analysisgroup.com/globalassets/uploadedfiles/content/insights/publishing/analysis_group_rggi_report_april_2018.pdf

³ *Ibid*, p.4.

⁴ *Ibid*, p. 8.

⁵ *Ibid*, p. 10.

program in ways that really are avoiding a drag on the economy and, in fact, actually helping to put more dollars in consumers' pockets."⁶

The Analysis Group report states:

“...Energy consumers enjoy a net gain of \$220 million as a result of the RGGI program (2015-2017), as their overall energy bills drop over time. Net benefits accrue to residential, commercial and industrial customers. Consumers of electricity save \$99 million, and consumers of natural gas and heating oil save \$121 million. These amounts are in addition to the economic benefits they receive as members of the local economies of the RGGI states where the allowance auction proceeds are spent...”

According to the report, while these economic impacts vary by state, by being part of RGGI, NH residents and businesses do benefit from the outcomes of the RGGI program.

New Hampshire decides how to use RGGI funds whether in the form of rebates to business ratepayers, rebates to consumers, the funding of energy efficiency programs, or other uses. All of these options are current topics being debated in New Hampshire. Regardless of the outcome and how the allocations are made, the RGGI program delivers millions of dollars to New Hampshire to be used for the benefit of the New Hampshire economy, environment, and citizens. As the auction administrator for RGGI, Enel X is proud to have a role in benefiting New Hampshire.

11.2.1

RGGI uses an auction construct that employs a uniform clearing price – for events with uniform clearing prices bidders will typically submit a large number of bids at varying quantity and price levels. Since a bidder pays the same price for all awards, this format allows them up to bid their true demand curve, i.e., what they are willing to pay for a given quantity of allowances. The bids are sealed - not revealed to the other buyers until the auction closes, therefore time is not used to create competitive pressure and the bidding window can be extended to accommodate multiple time zones and create a generally more relaxed bidding environment. The uniform clearing price is a critical component of the RGGI auction program as it establishes the price per allowance that all bidders will pay and the proceeds per allowances participating states will receive – live reverse auctions wouldn't work for RGGI as they utilize pay-as-bid settlement mechanisms.

11.2.2

Enel X provides RGGI with auction implementation services for the CO2 allowance auctions. This includes nearly all aspects of the quarterly auctions such as updating the auction documents (Auction Notice, Qualification Application, Intent to Bid, and Frequently Asked Questions). In addition, Enel X is responsible for the quarterly webinar including content development and logistics. Enel X is also responsible for managing the bidder qualification process, financial security, and training. Enel X monitors the auction, provides help desk support and is responsible for all auction settlement (financial and CO2 allowance) activities. In addition to

⁶ Source: <https://www.nhpr.org/post/study-regional-greenhouse-gas-initiative-still-boosting-northeast-economies#stream/0>

these quarterly deliverables, Enel X also consulted with RGGI, Inc. and the Participating States on auction design and implementation issues such as corporate and bidding associations, as well as information handling and security procedures.

Enel X North America, Inc.

Docket No. DE 18-142

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-12

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST:

Reference Perry/Geller testimony page 7, lines 9-12.

12.1. Please explain and describe the specific “technology-enabled services” Enel X has provided for the auctions described.

12.2 Please also explain the bidding or procurement process used to secure Enel X’s services and to define the scope of services Enel X provided.

RESPONSE:

12.1

Enel X conducts RGGI auctions via its auction platform and has successfully delivered over 40 quarterly auctions. Enel X:

- Provides and administers its secure online auction platform that is used to collect bids.
- Manages bid limitations based on RGGI specifications.
- Tracks bidding activity with audit-level documentation of the activity.
- Responds to bidder questions via the secure platform.
- Enel X continues to invest in efficiency improvements, for example, streamlining the bidder application and qualification process with a current buildout of an online application portal.

12.2

Enel X has been the administrator for RGGI auctions for over a decade and has been awarded that responsibility through multiple competitive solicitations run by RGGI.

The services Enel X provides RGGI are:

- **Pre-auction Services** - Assistance in the creation of detailed auction procedures, notices, and qualification applications. The development and testing of auction software. The training of market participants. The collection, management, and review of participant applications and financial security.
- **Auction Implementation Services** - The administration of each auction. The development and implementation of auction monitoring protocols. The collection of audit quality data for each auction.

- **Post-auction Services** - The settlement of all financial transactions between participants. The validation of auction results. The posting of appropriate auction results.

**Enel X North America, Inc.
Docket No. DE 18-142**

**CONFIDENTIAL ATTACHMENT (not provided with supplemental testimony)
CONFIDENTIAL SUPPLEMENTAL RESPONSE**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19; 7/30/19
Request No. Eversource 1-13

Date of Response: 7/15/19; 8/14/19
Witness: Greg Geller

REQUEST:

Reference OCA 1-5.

13.1. Please describe in detail the scope of “support” offered to the utilities disclosed in the response (e.g., run the sealed bid auction on their behalf, run the reverse auction on their behalf, provide estimates of prices, etc.).

13.2 Please also explain any different scope of “support” offered to the utilities not disclosed.

SUPPLEMENTAL REQUEST:

13.3 Please provide a further itemization of the services listed in the response. Please include a schedule or itemization of the costs of the various services described in the response.

RESPONSE:

Enel X is restricted by confidentiality provisions in agreements with the utilities referenced in response to OCA 1-5, and is not authorized to provide specific details as to those scopes of support.

Notwithstanding this restriction, Enel X seeks to be forthcoming and responsive to Eversource’s data requests. To that end, Enel X provides details of services that we routinely provide our utility-partners.

In delivering procurement services, Enel X primarily uses the following methods: sealed bid auctions, descending clock auctions, and live, online reverse auctions. For the Default and Standard Offer Service Programs listed in response to OCA 1-5, we utilize descending clock auctions, and live, online reverse auctions.

1. A standard element of support that Enel X routinely provides is the design of the auction architecture, or evaluating procurement objectives and market conditions to identify a best-fit method of procurement. Enel X then develops the procurement strategy, activities, and schedule.

2. One critical element of delivering successful auctions is if the suppliers are willing to provide the product the utility-partner seeks. As a result, a review of suppliers is a service Enel X provides, usually in collaboration with the utility. The objective is to define a pool of providers.
3. Developing procurement materials is often an activity that Enel X will either perform, or will support the utility-partner's efforts.
4. Once the procurement materials, including the RFP and associated forms, are approved by the utility for release, then either Enel X or the utility will release them, and Enel X will configure the Enel X Exchange for the procurement event.
5. Also at this time, Enel X will commence robust origination efforts to drive increased levels of supplier participation, to develop a cohort of qualified suppliers, and to gather market intelligence. This informs whether it is necessary to identify any necessary pivot in day-to-day activities. Almost every utility-partner uses Enel X for this service.
6. Some utility-partners use Enel X services to assist with evaluating supplier creditworthiness, and with executing master agreements for future transactions. These services are typically performed in collaboration with the utility, as the utility maintains final approval of supplier qualification, including credit standing and legal ability to transact.
7. Enel X provides market feedback to the utility-partner, which is universally accepted. In many instances, market feedback results from a formal Indicative Bid Round, or a less formal Notice of Intent to Bid – Enel X routinely provides both processes to utility-partners.
8. Frequently, Enel X will develop market pricing estimates, or otherwise support the utility-partner in developing an expectation of market prices.
9. In all instances, Enel X will consult with the utility-partner to establish Auction opening prices, which Enel X will communicate to the suppliers and publish on the Exchange. Feedback from the marketplace on the opening price is also provided to the utility.
10. As part of normal services provided by Enel X, we train bidders on its platform and on key elements of the procurement to ensure smooth performance on auction day. Enel X handles routine communications to the supplier cohort, as well as other necessary communications. Enel X also frequently manages the Q&A process for the utility.
11. On the day of the auction, Enel X runs the auction event(s), which includes supporting bidders, regulators, market monitors, and consultants, actively monitoring the bidding process, implementing any planned adjustments as needed, reporting, supporting the award allocation, and supporting the trade confirmation processes, as needed.
12. Enel X will provide content (charts, screenshots, data) as needed for presentation to utility leadership and to seek Commission approvals.

13. In all engagements, Enel X provides hard and electronic copies of auction events. Enel X routinely collaborates with our utility-partners on post-auction briefings to assess where activities can be streamlined, which processes can be improved, and to answer utility-partner questions.

Additional detail can be located on page 3 of **Attachment Eversource 1-4.1**.

With respect to confidential material responsive to this request, Enel X has a good faith basis for seeking confidential treatment of the subject information pursuant to Puc 203.08 and RSA 91-A:5 because the information contains sensitive commercial information, the public disclosure of which would adversely affect Enel X's competitive position. Enel X intends to submit a motion for confidential treatment regarding the confidential information at or before the commencement of the hearing in this proceeding.

CONFIDENTIAL SUPPLEMENTAL RESPONSE:

For Eversource and the NH PUC's consideration, [REDACTED]

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

REDACTED

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

REDACTED



Enel X North America, Inc.
Docket No. DE 18-142

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-14

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST:

Reference OCA 1-6 and OCA 1-7. OCA 1-6 notes that Enel X has conducted over 40,000 sealed bid “events” in the last 10 years. Given Enel X’s experience, how did the outcomes of those sealed bid events relate to the utility “Price to Compare” as identified in OCA 1-7?

RESPONSE:

Enel X customers who utilize sealed bid auctions tend to be small to mid-size Commercial and Industrial customers with very different energy needs than a utility and a lack of modeling tools to develop a PTC. In Enel X’s experience, retail suppliers are typically unwilling to participate in a live, online reverse auction for these types of customers with relatively small loads.

Other customers, including some utility customers, use the Enel X platform to run sealed bid auctions in addition to live, online reverse auctions.

We have not had an experience where a utility running a sealed bid auction has volunteered their “Price to Compare.”

**Enel X North America, Inc.
Docket No. DE 18-142**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-15

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST:

Reference OCA 1-7. Enel X references recent auction outcomes when measuring against the utility “Price to Compare.” For the supply auctions identified in the response, please identify

15.1. the utilities involved and

15.2. the factors used by those utilities in establishing the “Price to Compare.”

RESPONSE:

15.1

For that data set, there were eight organizations included for the percentages provided. There were 23 RFPs included in the data set with a total of 50 awards made to winning bidders. Enel X has not been authorized to disclose that specific information.

15.2

Utilities will often have an internal expectation of an energy commodity price that reflects their understanding of current market conditions for that commodity. Utilities use their internal modeling tools and data, and commercially available information to arrive at their “Price to Compare.” Enel X is not exposed to the modeling efforts utilities undertake to arrive at their internal expectations on price. As such, when the Enel X process using live, online reverse auctions beats the expectations set by a utility’s modeling tools and proficiencies, we take that as powerful evidence that the live, online reverse auction method delivers competitive results. We attribute those results to the limited price discovery suppliers get that allows them to see what they need to do in order to beat out their competitors. Sealed bids do not give suppliers the visibility they need to compete and to revise their bids. As such, the bidders are less likely to go as low as they can, and the best guesser as to what the utility will accept wins.

**Enel X North America, Inc.
Docket No. DE 18-142**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-17

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST: Reference OCA 1-7. In the response to part a, Enel X appears to assume that the “Price to Compare” is equal to a sealed bid auction result. Please provide empirical evidence supporting the assumption that the utility’s “Price to Compare” equals the result of a sealed bid auction.

RESPONSE:

In a sealed bid auction, a primary driver for bidding behavior is what a bidder thinks the utility will accept, while also being mindful of their own profit/margin objectives. The bidders’ interpretation of what the utility will accept and a utility’s determination of the “price to compare” can stem from the same common market information, which leads to convergence between the two. Importantly, neither “price to compare” nor a sealed bid is based off real-time price discovery of other bidders. As the live, online reverse auction can achieve better results than a “Price to Compare,” it should also deliver better results than sealed bid auctions.

Please see home buying example in OCA 1-15. The asking price for a house is analogous to the “price to compare” for a utility, as the homeowner and their realtor gather market data to set a number at which they would transact. Bidders on the house submit sealed bids, with the seller’s asking price providing an anchoring point for the bids. The lack of price discovery between bidders can drive convergence between the sealed bid and the asking price, but can also disadvantage both the buyer and seller. With price discovery, home buyers could revise their bids as far as their budgets allow to get the home, and deliver a better pricing outcome for the seller.

Enel X North America, Inc.
Docket No. DE 18-142

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-19

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST: Reference OCA 1-8. If the level of Enel X's involvement in any auction is to be determined by Eversource, what specific relief is Enel X requesting the Commission provide in this case?

RESPONSE:

See Petition at page 6:

“WHEREFORE, EnerNOC respectfully requests that the Commission: A. Approve and direct Eversource to utilize live, online reverse auctions to procure full requirements energy service for a minimum three procurements (Spring 2019, Fall 2019, and Spring 2020).”

The procurement dates are now different, but Enel X seeks the same relief it did in the Petition. In OCA 1-8, Enel X is simply stating that they (or another vendor selected through an RFP process) could support Eversource during other steps of the procurement process besides the automation of bidding that happens in the live, online reverse auction.

From experience accumulated in over a decade managing wholesale auctions for utilities like Eversource, we recommend that the Commission and Eversource review information found in Eversource 1-13, particularly sections 1-5, 7, 9-11, and 13, as these are core support services that an auction manager would provide to deliver successful auction outcomes.

**Enel X North America, Inc.
Docket No. DE 18-142**

CONFIDENTIAL SUPPLEMENTAL RESPONSE

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19; 7/30/19
Request No. Eversource 1-20

Date of Response: 7/15/19; 8/14/19
Witness: Greg Geller

REQUEST:

Reference OCA 1-8.

20.1. If the level of Enel X's involvement is to be determined by Eversource and if the level of involvement can vary from one auction to the next, how will the Commission assess whether Enel X's services produce more desirable outcomes for customers?

20.2 Would Enel X bear any responsibility for outcomes that are determined by the Commission to be less desirable/beneficial?

SUPPLEMENTAL REQUEST:

Please share the recommendations referenced in the response, including any associated key performance indicators. If the recommendations are confidential, please explain why.

RESPONSE:

20.1

Again, Enel X is not petitioning the Commission for Eversource to use Enel X's software, but to "Approve and direct Eversource to utilize live, online reverse auctions to procure full requirements energy service for a minimum three procurements..." Therefore, in all three auctions there would be a live, online reverse auction. Regardless the extent to which the vendor partners with Eversource beyond that auction, the auction will provide meaningful data to Eversource and the Commission with respect to its effectiveness.

On a confidential basis, we would be glad to share recommendations for how the Commission could evaluate the effectiveness of a live, online reverse auction tool.

20.2

Again, Enel X is not petitioning the Commission for Eversource to use Enel X's software, but to "Approve and direct Eversource to utilize live, online reverse auctions to procure full requirements energy service for a minimum three procurements..."

Should the Commission grant the relief Enel X is seeking, we would expect this to be considered as part of the RFP/contracting process.

REDACTED

That said, Enel X enjoys a 100% approval record with Commissions for the auctions it has run. Should an auction not achieve results that satisfy Eversource, it need not make an award and Enel X would not be compensated for that auction. Enel X would be willing to run subsequent auctions for Eversource if an auction did not meet its expectations.

CONFIDENTIAL SUPPLEMENTAL RESPONSE¹:

The use of reverse auctions has proven to provide Commissions, utilities, and stakeholders with a much higher degree of confidence that just and reasonable prices have been secured given the visible, highly transparent, nature of the competitive bidding process.

The implementation of a reverse auction method would not require a fundamental change to the mechanisms being used to judge the fairness and reasonableness of RFP results.

Most importantly, the reverse auction method provides additional data, which a sealed process does not provide; this additional data feeds into qualitative indicator that is important to Commissions: Confidence in the Outcome Meeting Public Policy Objectives.

[REDACTED]

¹ Enel X has a good faith basis for seeking confidential treatment of the supplemental data response pursuant to Puc 203.08 and RSA 91-A:5 because the information contains sensitive commercial information, the public disclosure of which would adversely affect Enel X’s competitive position. Enel X intends to submit a motion for confidential treatment regarding this confidential supplemental data response at or before the commencement of the hearing in this proceeding.

REDACTED

[REDACTED]

Promoting a high degree of competition can be evaluated on the basis of evidence of environmental elements of “time pressure” and “head-to-head rivalry”, which contribute to “competitive arousal”^{[11],[2]} and leads to increased competition. During a short-duration technology-enabled procurement event, a supplier can evaluate and decide whether to stay at a particular offer price point, or improve the offer price to gain the customer’s business.

[REDACTED]

From the discussion during the technical session on 7/30/19, it appears that Eversource and Enel X agree that price discovery has a role in influencing bidder behavior. Eversource stated that following a sealed bid event they do not tell the losing bidders the winning price. It is only after the results of the auction become public that losing bidders can discover the winning price. Enel X asked Eversource if Eversource thought that losing bidders would modify their bidding behavior in future auctions once they learn what the winning bid was. Eversource said yes, and agreed that bidders modify their bidding behavior auction-by-auction based on what they learn about winning bids in prior auctions. This is an important point. It appears that Eversource agrees that price discovery modifies bidder behavior. While the price discovery that exists in a sealed bid auction is delayed until results are made public, Eversource agreed that the results would have an impact on bidding behavior. Under a live, reverse auction model, price discovery occurs in real-time and bidders can modify their bids in the moment. The result is that each procurement benefits from price discovery; prices can be driven to their most competitive place in every auction.

[REDACTED]

Across the thousands of bids in Enel X auctions, approximately 40% of them are submitted in the last minute of an auction and approximately 20% of them come in during the last 10 seconds.

[REDACTED]

With specific regard to the effectiveness of the Enel X live, online reverse auction method, in evaluating the results of the 2019 Delmarva Delaware Standard Offer Service RFP process, the

Technical Consultant for the Delaware Public Service Commission, The Liberty Consulting Group, opined that *“Participation was satisfactory and resulted in a competitive bidding process. The RFP process was run successfully from start to finish. The processes were carried out as expected and the Enel X auction platform performed flawlessly. The ultimate winning bids were consistent with regional market conditions.”* The Liberty Consulting Group went on to state that *“Key to the effectiveness of the auction process is the Enel X auction platform which Liberty finds to be highly effective. The auction process itself promotes competition due to Enel X’s auction platform. It provides real-time bidder feedback to induce competitive bidding behavior.”*

The most recent Liberty report is attached (Attachment Eversource 1-20). Enel X does not consider this attachment to be confidential.

^[1] Malhotra, Deepak. "The Desire to Win: The Effects of Competitive Arousal on Motivation and Behavior." *Organizational Behavior and Human Decision Processes* 111, no. 2 (March 2010): 139–146. Dr. Malhotra’s paper investigates "competitive arousal" in the context of decision making, with a review of presence of certain elements of the strategic environment (e.g., head-to-head rivalry and time pressure) can fuel competitive motivations and behavior.

^[2] Dr. Malhotra, *et al.*, provide historic examples of competitive arousal and identifies the key elements that stoke competitive arousal in <https://hbr.org/2008/05/when-winning-is-everything>.

**Technical Consultant's Final Report
To the Delaware Public Service Commission**

**Delmarva Power & Light's 2019 Request for Proposals for
Full Requirements Wholesale Electric Supply for Standard Offer Service**

February 21, 2019



The Liberty Consulting Group, Inc.
1451 Quentin Rd Suite 400, #343
Lebanon, PA 17042

(717)270-4500

Table of Contents

I. Executive Summary.....	3
A. Introduction.....	3
B. Results	3
C. Findings & Conclusions.....	4
II. RFP Overview.....	4
III. Auction Results & Prices.....	6
A. Bid Activity.....	6
B. Prices	7
C. Rate Impacts	8
IV. Market Analysis.....	8
A. Overview.....	8
B. Energy Market.....	8
C. Fuel Market Outlook	9
D. Capacity Market.....	11
E. Ancillary Services Market.....	11
V. Process Analysis	12
A. Notification of the RFP to the Market.....	12
B. Information Dispersal.....	12
C. Determination of Applicant Eligibility	12
D. Bid Ranking.....	12
E. The Awarding of Transactions.....	12
F. Full Requirements Service Agreement Signing	13
VI. Conclusions.....	13
Appendix 1: Tranche 1 Final Bid Plan	14
Appendix 2: Tranche 2 Final Bid Plan	16
Appendix 3: RFP Announcement.....	18

I. Executive Summary

A. Introduction

The Delaware Public Service Commission (DE PSC) retained The Liberty Consulting Group, Inc. (Liberty) to monitor Delmarva Power & Light's (Delmarva) 2019 Request for Proposals (RFP) for Full Requirements Supply for its Standard Offer Service (SOS). Liberty presents this report to the DE PSC with its findings on the process and the auction results of the RFP.

Liberty is based in Lebanon, PA and has been providing regulatory consulting services to the energy industry since 1987. Its consultants are experts in electric utility operations and regulatory issues. Liberty has provided energy procurement monitoring services in multiple state jurisdictions and a broad range of procurement formats.

B. Results

Delmarva performed two auction sessions for the 2019 RFP. Tranche 1 was held on November 26, 2018, and Tranche 2 was held on January 28, 2019. Overall, Delmarva's RFP was satisfactory and resulted in prices reflective of market conditions. Participation was satisfactory and resulted in a competitive bidding process. The RFP process was run successfully from start to finish. The processes were carried out as expected and the Enel X auction platform performed flawlessly. The ultimate winning bids were consistent with regional market conditions.

This year's auctions reflect a fundamental change in how Delmarva procures supply for its Residential and Small Commercial and Industrial (RSCI) SOS customers. Historically, the bids to serve this load were for a three-year delivery period. For the 2020 procurement and beyond, these blocks will be for two-year periods. The transition from three to two years required that last year's RSCI bids were for 1 year and this year's bids were for a combination of one and two-year contracts. Thus, the power to be delivered in the 2019 delivery period (June 1, 2019 through May 31, 2020) was procured in the 2017 and 2019 RFPs, but not from 2018.

Average winning bid prices for this RFP are shown in Table 1, along with the percentage change in price compared to last year's prices. ***Year over year, the weighted average auction prices were lower for the RSCI, MGS, and LGS customer types, but slightly higher for GS-P. This is largely due to lower capacity prices year over year, somewhat offset by higher energy prices.***

Table 1: Weighted Average Winning Bid Price (\$/MWh)

Customer Type	2018	2019	Change	% Change
RSCI (12-month)	\$65.24	\$57.76	-\$7.48	-11.5%
RSCI (24-month)	NA	\$59.68	NA	NA
MGS	\$59.46	\$52.97	-\$6.49	-10.9%
LGS	\$56.53	\$50.55	-\$5.98	-10.6%
GS-P	\$52.07	\$52.37	+\$0.30	+0.6%

The customer bill impacts of the winning wholesale energy prices are estimated by Delmarva to be as follows in Table 2. More detail on these estimated impacts is provided in Section III: Auction Results & Prices.

Table 2: Estimated Average Monthly Customer Bill and Impact¹

Class	As of 9/1/18	6/1/19	\$ Change	% Change
R@840 kWh	\$111.42	\$107.99	(\$3.43)	(3.1%)
SGS-ND	\$101 - \$357	\$99 - \$348	(\$2.24) - (\$8.96)	(2.2%) - (2.5%)
MGS	\$340 - \$5,964	\$318 - \$5,470	(\$22) - (\$494)	(6.4%) - (8.3%)
LGS	\$6,506 - \$74,883	\$6,097 - \$69,884	(\$409) - (\$4,999)	(6.3%) - (6.7%)
GS-P	\$706 - \$122,044	\$706 - \$121,912	(\$132) - \$153	(0.1%) - 0.3%

C. Findings & Conclusions

Liberty monitored the auction process in its entirety. Pre-bid monitoring included reviews of announcements, bidder communication, bidder certification, bid system training, energy markets, and bid system performance. Bid day monitoring included live monitoring of the auction on-site, verification of bids, notification of winners, and contract signing.

Liberty has concluded that each element of the entire process, including both the Tranche 1 and Tranche 2 auctions, was run professionally and resulted in bids that were consistent with expectations based on market conditions. Concerning the process and results, Liberty finds no areas in need of attention at this time. Key to the effectiveness of the auction process is the Enel X auction platform which Liberty finds to be highly effective.

II. RFP Overview

Since 2006, Delmarva has performed an RFP to procure wholesale energy to serve its Standard Offer Service (SOS) customers. SOS customers receive comprehensive default energy service from Delmarva vs. a non-utility, third party supply for generation. Each year, blocks of power to meet the SOS load are purchased from the winning bidders of this multi-tranche auction. The process consists of two tranches, in November and January, and a third, if needed. In this year's process, a third tranche was not needed². The final bid plans defining blocks were provided by Delmarva and are shown in Appendix 1 (Tranche 1) and Appendix 2 (Tranche 2).

Blocks are bid for Residential Small Commercial and Industrial (RSCI), Medium General Service (MGS), Large General Service (LGS) and General Service-Primary (GS-P). Auctions for each block are held

¹ These comparisons are estimates and are subject to change as the adjustments to transmission, procurement cost, renewable energy portfolio standards, Qualified Fuel Cell Provider Projects-Renewable Capable Power Production, and reasonable allowance for retail margin are not yet included for the supply year beginning 6/1/2019.

² A Third Tranche was necessary in 2006.

electronically with a web-based platform provided by Enel X. Bidders apply for approval, and approved bidders are granted access to and training on the Enel X platform. Tables 3 and 4 display the quantity and size of each block by customer class for Tranche 1 and 2, respectively.

Table 3: Tranche 1 Bid Plan

Service Type	Blocks	MW Per Block	Total MW
RSCI (12-month)	2	43.2	86.4
RSCI (24-month)	4	48.6	194.4
MGS	2	40.8	81.6
LGS	1	15.8	15.8
GS-P	1	24.5	24.5
Total			402.7

Table 4: Tranche 2 Bid Plan

Service Type	Blocks	MW Per Block	Total MW
RSCI (12-month)	1	43.2	43.2
RSCI (24-month)	4	48.6	194.4
MGS	1	40.8	40.8
Total			278.4

One of the keys to a competitive RFP for power is active participation from power suppliers. To ensure adequate participation, Delmarva announces its RFP by issuing a press release to over 90 companies directly, and to media channels. As a result, ten companies submitted expressions of interest in this RFP, and seven ultimately became eligible. Table 5 displays historical participation since 2012-13, up to and including this most recent auction.

Table 5: Bidder Participation

Participants	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
EOIs	13	17	15	11	12	12	10
Eligible Bidders	8	11	6	8	8	7	7
Actual Bidders	8	9	5	8	6	6	6

Table 6 lists the organizations who successfully bid (won) any of the blocks in Tranche 1 or 2. Five companies won blocks in this year's tranches as compared to four last year and three in 2017.

Table 6: Tranche 1 & 2 Winning Bidders

Company
AEP
DTE
Exelon
Hartree
Nextera

Table 7 displays the percentage of MWs served for the 2019 delivery period, which includes RSCI blocks won in 2017 and 2019.

Table 7: Suppliers for 2019 Delivery Period and Percentage of Load Served

Supplier	RSCI	MGS	LGS	GS-P
AEP			100%	
DTE	12%			
Exelon	19%	33%		100%
Hartree	6%			
Nextera	37%	67%		
TransCanada	26%			

The results in Table 7 show reasonable diversity in the *number* of suppliers, with six different companies serving load, five of them serving RSCI load.

III. Auction Results & Prices

A. Bid Activity

In both Tranche 1 and Tranche 2, participation was adequate and resulted in competitive auctions. The auction process itself promotes competition due to Enel X's auction platform. It provides real-time bidder feedback to induce competitive bidding behavior. The bid activity for Tranche 1 and Tranche 2 is displayed in Tables 8 and 9, respectively.

Table 8: Tranche 1 Bid Activity

Class/Block	Bidders	Bids
RSCI (12) – Block 1	3	10
RSCI (12) – Block 2	4	16
RSCI (24) – Block 1	4	14
RSCI (24) – Block 2	4	10
RSCI (24) – Block 3	4	8
RSCI (24) – Block 4	4	8
MGS – Block 1	5	12
MGS – Block 2	5	8
LGS	3	5
GS-P	3	5

Table 9: Tranche 2 Bid Activity

Class/Block	Bidders	Bids
RSCI (12)	5	19
RSCI (24) – Block 1	5	13
RSCI (24) – Block 2	5	11
RSCI (24) – Block 3	5	11
RSCI (24) – Block 4	5	13
MGS	6	12

B. Prices

Winning bid prices for the last four years for each customer class and block type are provided in Table 10, as well as the change in 2019 vs. 2018. The RSCI 12-month blocks averaged \$57.76 per MWh, which reflects a decrease of 11.5% from the 2018 auction prices. The RSCI 24-month blocks averaged \$59.68 per MWh, just slightly higher than the 12-month blocks due to higher expected energy and capacity market prices in the second year of the contracts. There were no 24-month RSCI blocks in previous years with which to compare the prices. MGS and LGS prices were lower than those of 2018 by 10.9% and 10.6%, respectively. GS-P prices ticked up year over year, an increase of 0.6%.

Table 10: Weighted Average Winning Bid Prices (\$/MWh)

Customer Class	2016	2017	2018	2019	Change	% Change
RSCI (12)			65.24	57.76	(7.48)	-11.5%
RSCI (24)				59.68		
RSCI (36)	63.60	58.21				
MGS	57.35	54.70	59.46	52.97	(6.49)	-10.9%
LGS	55.14	51.71	56.53	50.55	(5.98)	-10.6%
GS-P	55.82	50.20	52.07	52.37	0.30	0.6%

C. Rate Impacts

To gauge the impact of the most recent auction on its SOS customers, Delmarva has developed a model to calculate the estimated changes to average monthly customer bills by customer class. It is important to note that these are estimates and should not be construed as exact or guaranteed results based only on the wholesale prices of the winning bids. The results of this analysis, displayed in Table 11, are consistent with the bid price results displayed in Table 10.

Table 11: Estimated Average Monthly Bill Comparison³

Class	As of 9/1/18	6/1/19	\$ Change	% Change
R@840 kWh	\$111.42	\$107.99	(\$3.43)	(3.1%)
SGS-ND	\$101 - \$357	\$99 - \$348	(\$2.24) - (\$8.96)	(2.2%) - (2.5%)
MGS	\$340 - \$5,964	\$318 - \$5,470	(\$22) - (\$494)	(6.4%) - (8.3%)
LGS	\$6,506 - \$74,883	\$6,097 - \$69,884	(\$409) - (\$4,999)	(6.3%) - (6.7%)
GS-P	\$706 - \$122,044	\$706 - \$121,912	(\$132) - \$153	(0.1%) - 0.3%

IV. Market Analysis

A. Overview

As stated earlier in this report, the winning bid prices reflected market conditions. Liberty has collected market information on energy, capacity, and fuel prices to assess the key drivers of bidder behavior.

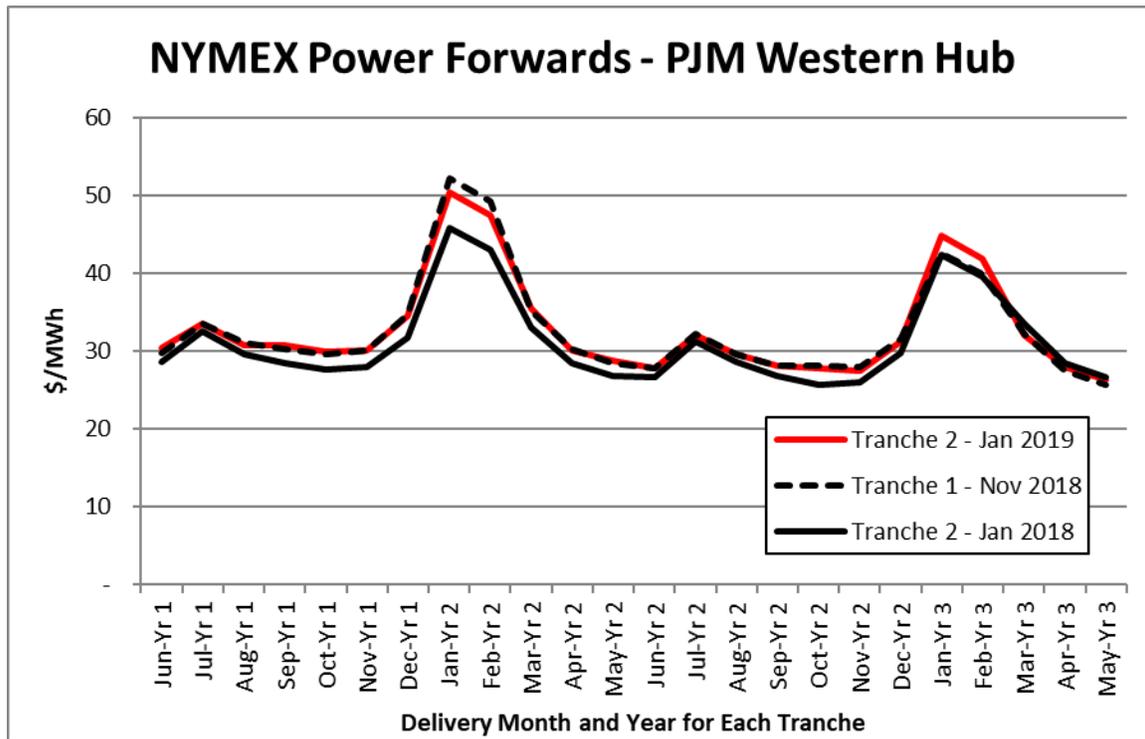
B. Energy Market

The outlook for regional energy prices was slightly lower in Tranche 2 as compared to Tranche 1. Energy prices for both Tranche 1 and Tranche 2 were higher than last year's Tranche 2 prices. The market for energy in PJM is currently stable, and futures prices reflect seasonal patterns and growth rates that are to be expected.

Exhibit 1 displays round the clock (RTC) prices for the last three auction dates. It highlights the difference in energy price expectations between the tranches. **Forward prices for wholesale energy in PJM have increased year over year.** This slightly offsets a substantial decrease in capacity prices that have helped to decrease bid prices. The source for all energy prices is CME Group NYMEX Futures.

³ These comparisons are estimates and are subject to change as the adjustments to transmission, procurement cost, renewable energy portfolio standards, Qualified Fuel Cell Provider Projects-Renewable Capable Power Production, and reasonable allowance for retail margin are not yet included for the supply year beginning 6/1/2019.

Exhibit 1: Energy Forward Prices – PJM RTC Avg – Western Hub



C. Fuel Market Outlook

As an extension of Liberty’s review of energy forwards, we also reviewed the underlying fuel markets that drive energy prices by assessing fuel forward markets. Liberty has reviewed forward prices for natural gas, the primary fuel commodity in PJM. Exhibit 2 displays the outlook for gas prices at the Dominion Hub over the previous two tranches. Gas prices are consistent with PJM Western Hub energy prices, as shown when they are plotted together in Exhibit 3.

Exhibit 2: Dominion Hub Gas Forward Prices

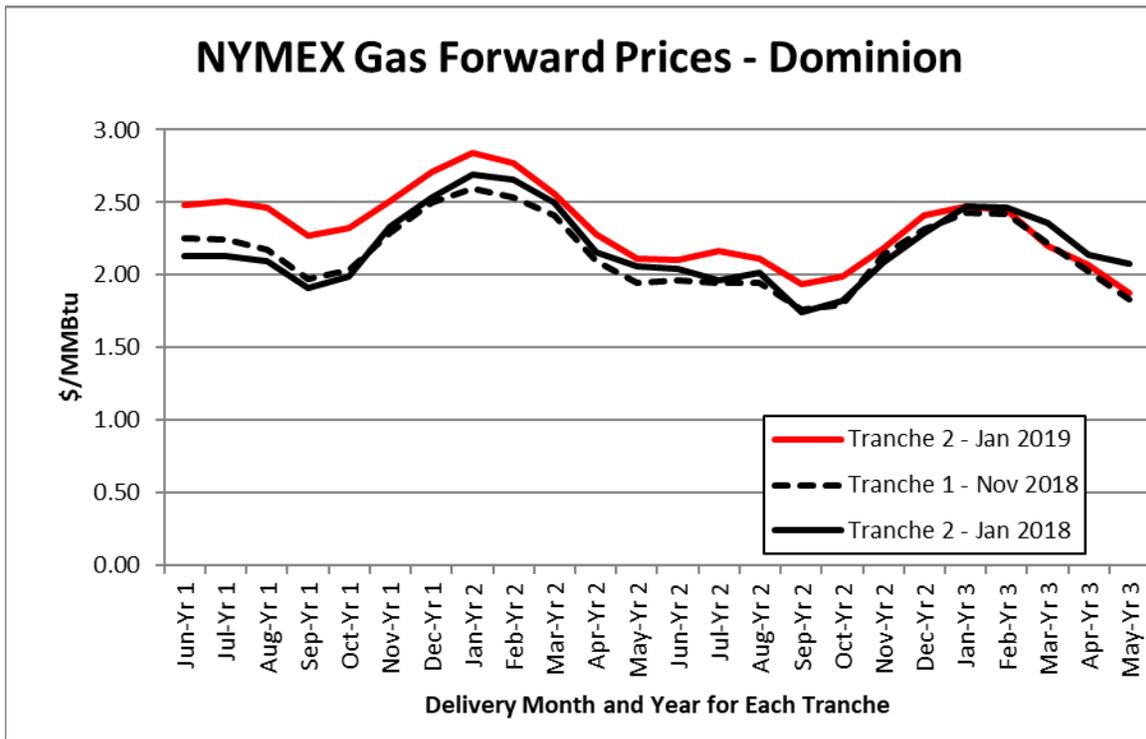
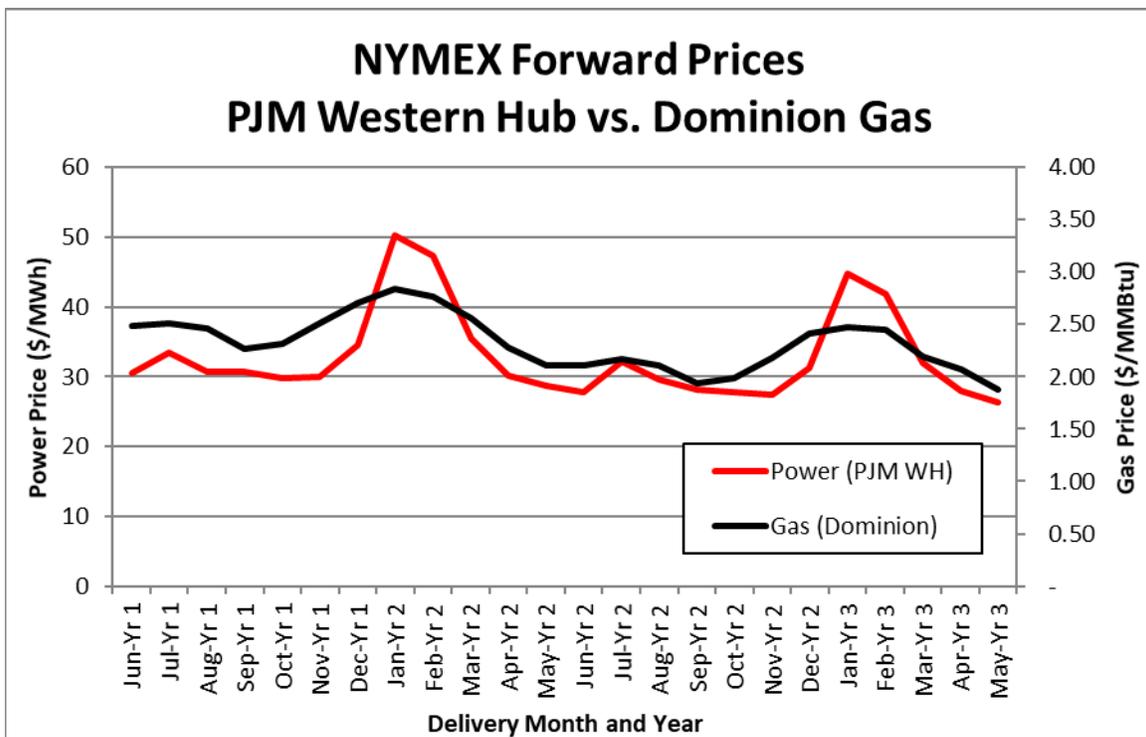


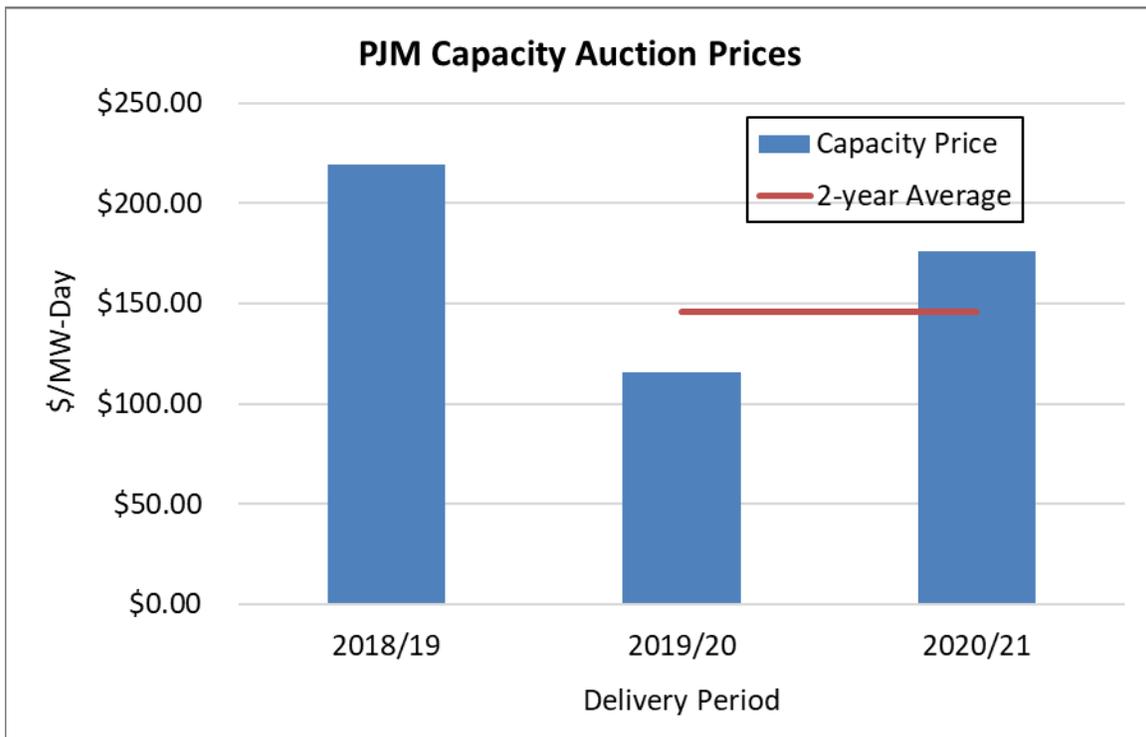
Exhibit 3: Gas Forward Prices vs. Power Forward Prices



D. Capacity Market

PJM capacity prices are set through auctions and are prices (in \$/MW-day) are set for annual delivery periods commencing June 1 of each year. Exhibit 4 shows capacity prices for the years relevant to this SOS auction’s delivery periods and how they affect each year and type of auction block. This year, the capacity prices for RSCI are both the 2019/20 and 2020/21 prices (\$115.68/MW-day and \$176.17/MW-day, respectively). Last year’s RSCI bids were based on the 2018/19 price (\$219.29/MW-day). Based on this, capacity prices applicable to the RSCI 12- and 24-month blocks fell 47% and 20%, respectively. The capacity price applicable to MGS, LGS, and GS-P all realized the 47% decrease year over year.

Exhibit 4: Capacity Prices (\$/MW-day)



It is worth noting how \$/MW-day capacity auction prices translate to \$/MWh SOS bid prices. The calculation is a function of the conversion factors between the two units and the load factor for each class (which change from year to year). Lower load factor customer classes like RSCI feel a greater impact from capacity prices than high load factor GS-P customers, since they have fewer MWh over which to spread their demand-based capacity charges. Based on historical load factors of the DP&L customer classes, every \$1 change in capacity auction prices translates to roughly \$0.07-\$0.10/MWh.

E. Ancillary Services Market

Ancillary service-related costs are reflected by the bidders, but do not make up a large portion of or impact on SOS prices. Ancillary services were essentially unchanged during this auction period and are relatively insignificant when compared to Capacity and Energy prices. This parameter did not have a material impact on the auction results.

V. Process Analysis

Liberty was assigned the task of monitoring Delmarva's RFP process through specific administrative requirements. The following is an assessment of each area:

A. Notification of the RFP to the Market

To ensure adequate participation, Delmarva announces its RFP by issuing a press release to over 90 companies directly, and to media channels. This announcement is displayed in Appendix 3. It included basic information to prospective bidders and instructions for acquiring more information and registering on Delmarva's RFP website. As a result, 10 companies submitted an expression of interest in this RFP, 7 ultimately became eligible, and 6 bid on blocks. Liberty finds that this task was performed to expectations.

B. Information Dispersal

Delmarva provided all materials for expressing interest and registering for the auction on its RFP website. Once approved, bidders were able to acquire all key administrative, technical, and schedule information. Liberty finds that information was disseminated appropriately and that the website, as a foundation for communication, worked according to plan.

Delmarva also held a webinar on the entire RFP process. The webinar included a review of changes since the previous RFP and instructions for all aspects of RFP participation. Liberty found that the webinar was run well and was informative.

C. Determination of Applicant Eligibility

Interested bidders were required to submit to Delmarva their Credit Application, Confidentiality Agreement, PJM certification, and FERC certification by the deadline. It was ultimately determined that 7 of the 10 interested parties became eligible to bid. Liberty finds that this eligibility process was performed to standards.

D. Bid Ranking

On auction day, each block is made available to bid at 10 AM. The first RSCI block auction ends at 10:00 am, and subsequent block auctions end every ten minutes after that. Each of the RSCI blocks was offered first, followed in order by MGS, LGS and finally the GS-P block (LGS and GS-P are only applicable to Tranche 1).

A Liberty consultant was present in DC with Delmarva and Enel X representatives and was joined by DE PSC Staff by teleconference. All viewed the auction through the Enel X platform. After all of the blocks ended, Liberty reviewed each bid with Delmarva and confirmed the winning bid, the organization, and the price.

E. The Awarding of Transactions

After the completion of each tranche, and review between Delmarva and Liberty, Delmarva contacted each bidder. Winning bidders were notified and were provided with contracts reflecting their organization, bid size and winning bid price.

F. Full Requirements Service Agreement Signing

Delmarva worked with each winning bidder to complete the Full Requirements Service Agreements and provided copies of each executed agreement to Liberty for review. On the Thursday after each auction, Liberty presented the auction results to the DE PSC, and these were subsequently approved.

VI. Conclusions

Liberty has concluded that all processes, including both the Tranche 1 and Tranche 2 auctions, were run professionally and resulted in bids that were consistent with expectations based on market conditions. Liberty finds no areas in need of attention at this time.

Appendix 1: Tranche 1 Final Bid Plan

Delmarva DE SOS RFP 2019
Tranche 1

Service Type	as of: 11/19/2018	
	SOS PLC (MW)	Eligible PLC (MW)
Residential and Small Commercial & Industrial	773.2	860.3
Medium General Service -Secondary	122.8	239.6
Large General Service -Secondary	15.8	100.2
General Service - Primary	24.5	114.9
Total	936.3	1315.0

Service Type	Contract Term		Total
	12 Month 6/1/19-5/31/20	24 Month 6/1/19-5/31/21	
Residential and Small Commercial & Industrial	16.6667%	50.0%	66.7%
Service Classifications: R, R-TOU, R-TOU-ND, R-TOU-SOP SGS-ND, SGS-SH, SGS-WH, OL, ORL, X.			
Approximate Total PLC	128.8	386.6	515.5
Block Size %	5.5556%	6.2500%	
Approximate Block Size (MW)	42.9	48.3	
Total Number of Blocks	3	8	11
Tranche 1 blocks	2	4	6
Tranche 2 blocks	1	4	5
Medium General Service - Secondary	100.0%		100.0%
Service Classifications: MGS-S			
Approximate Total PLC	122.8		122.8
Block Size %	33.3333%		
Approximate Block Size (MW)	40.9		
Total Number of Blocks	3		3
Tranche 1 blocks	2		2
Tranche 2 blocks	1		1
Large General Service - Secondary	100.0%		100.0%
Service Classifications: LGS-S			
Approximate Total PLC	15.8		15.8
Block Size %	100.0%		
Approximate Block Size (MW)	15.8		
Total Number of Blocks	1		1
Tranche 1 blocks	1		1
General Service - Primary	100.0%		100.0%
Service Classifications: GS-P			
Approximate Total PLC	24.5		24.5
Block Size %	100.0%		
Approximate Block Size (MW)	24.5		
Total Number of Blocks	1		1
Tranche 1 blocks	1		1

Appendix 2: Tranche 2 Final Bid Plan

**Delmarva DE SOS RFP 2019
Tranche 2**

		as of: 1/21/2019			
		SOS	Eligible		
Service Type		PLC (MW)	PLC (MW)		
Residential and Small Commercial & Industrial		777.9	862.7		
Medium General Service -Secondary		122.5	238.5		
Large General Service -Secondary		19.9	100.0		
General Service - Primary		25.4	114.3		
Total		945.7	1315.5		
Contract Term					
Service Type		12 Month	24 Month		
		6/1/19-5/31/20	6/1/19-5/31/21		
Residential and Small Commercial & Industrial		16.6667%	50.0%	66.7%	
Service Classifications: R, R-TOU, R-TOU-ND, R-TOU-SOP SGS-ND, SGS-SH, SGS-WH, OL, ORL, X.					
	Approximate Total PLC	129.6	389.0	518.6	
	Block Size %	5.5556%	6.2500%		
	Approximate Block Size (MW)	43.2	48.6		
	Total Number of Blocks	3	8	11	
	Tranche 1 blocks	2	4	6	
	Tranche 2 blocks	1	4	5	
Medium General Service - Secondary		100.0%		100.0%	
Service Classifications: MGS-S					
	Approximate Total PLC	122.5		122.5	
	Block Size %	33.3333%			
	Approximate Block Size (MW)	40.8			
	Total Number of Blocks	3		3	
	Tranche 1 blocks	2		2	
	Tranche 2 blocks	1		1	

Appendix 3: RFP Announcement

October 3, 2018

**DELMARVA POWER
REQUEST FOR PROPOSALS FOR
STANDARD OFFER SERVICE WHOLESALE ELECTRIC POWER SUPPLY**

Ladies and Gentlemen:

Delmarva Power (Delmarva) provided electric supply service to Delaware customers through fixed price power supply tariffs offered by Delmarva pursuant to orders issued by the Delaware Public Service Commission (“Commission”) in Docket No. 99-163 and Docket No. 01-194. These offers expired as of April 30, 2006. Since May 1, 2006, Delmarva has provided generation supply for specified periods, procured through a competitive wholesale bidding process and pursuant to procedures that are set forth in Commission Docket No. 18-1065 (formerly Docket No. 04-391). Delmarva has conducted a multi-tranche (multi-round) bidding process to solicit proposals from suppliers interested in providing Fixed Price Standard Offer Service (“FP-SOS”) to Delmarva for its Delaware customer service classifications.

Delmarva is soliciting competitive bids for full requirements wholesale supply service, excluding the provision of Renewable Energy Credits (“RECs”). The supply will be procured using the Enel X (formerly EnerNOC) reverse auction process as is more fully described in the Request for Proposals (“RFP”) documents. The solicitation is for supply agreements for one year and two year terms. Auction dates and auction rounds for this multi-tranche solicitation can be found in the RFP documents which are provided on the RFP website as noted below.

The load to be bid upon in the RFP is divided into four service types. An approximation of that portion of the load (stated in megawatts) associated with customers currently receiving supply service for each service type and for whom wholesale supply will be solicited is indicated in the following table. The load figures will be updated prior to the auction dates.

<u>Service Type</u>	<u>Delmarva</u>
Residential and Small Commercial & Industrial FP-SOS	515
Medium General Service-Secondary FP-SOS	120
Large General Service-Secondary FP-SOS	15
General Service-Primary FP-SOS	<u>20</u>
 TOTAL	 670 MW

If you are interested in participating in the RFP, you must submit an Expression of Interest Form. The Expression of Interest Form is provided, electronically, for submission on the RFP website. The RFP website which became active on October 3, 2018 is as at:

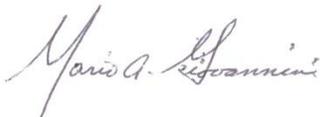
delmarva.com.

Prospective bidders who have submitted the Expression of Interest Form will be given access to password protected RFP material.

Additionally, Delmarva will be holding a pre-bid conference on October 16th to review the general RFP structure and process, the bid plan, and the Full Requirements Service Agreement (the contract that will be used to purchase generation supply under the RFP). We encourage your review of such documents (as posted on the website) prior to the conference to enhance the question and answer session. Please visit the RFP website in the coming days for additional details on the pre-bid conference, including registration information.

All questions related to this RFP should be submitted through the RFP website.

Sincerely,

A handwritten signature in black ink that reads "Mario A. Giovannini". The signature is written in a cursive style.

Mario A. Giovannini
Director, Energy Acquisition
Delmarva Power

**Enel X North America, Inc.
Docket No. DE 18-142**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19; 7/30/19
Request No. Eversource 1-21

Date of Response: 7/15/19; 8/14/19
Witness: Greg Geller

REQUEST:

21.1. Has Enel X ever conducted an on-line reverse auction and sealed bid auction for the same product for the same customer at the same time?

21.2. If so, has Enel X analyzed or compared the results of those auctions?
If yes, please provide the analysis conducted.

SUPPLEMENTAL REQUEST:

Please explain whether there are any additional examples of reverse auctions and sealed bid being conducted for the same product for the same customer at the same time beyond the example described in the initial response.

RESPONSE:

21.1

Yes, Enel X has conducted for the same customer for the same product for the same day sealed bid auctions and live, online reverse auctions.

21.2

Yes. At the customer's request, Enel X ran a sealed bid auction for an electricity product of just under 60,000 MWH per year. The results of the sealed bid auction were executable, meaning that if the customer liked the results, they could award at that point. As such, the bids were treated as "best and final" by suppliers because the customer could have made an award at that point. The suppliers knew that the customer could make an award at that point.

Immediately following the sealed bid auction, the customer elected to run a live, online reverse auction. The live, online reverse auction forced the suppliers to sharpen their pencils and refine their bids. As a result of the price discovery presented in the live, online reverse auction method, the winning bids in the live, online reverse auction were 0.7%-2% lower than the winning bids in the sealed bid round. The delta between the result of the sealed bids and the live, online reverse auction bids resulted in \$221,000 in savings to the customer over the contract term.

Notably, the customer could have awarded at the end of the sealed bid round, which compelled suppliers to offer their best price. However, once the reverse auction commenced, suppliers

recognized that they needed to do better to win. Price discovery gave them the intelligence they needed to compete to win. The downward pressure resulted in material savings. This example demonstrates how live, online reverse auctions can result in more aggressive bidding behavior than sealed bid auctions.

SUPPLEMENTAL RESPONSE:

As discussed in the technical session, because of various factors, including and not limited to participant behavior and market movement (a factor which Eversource and Enel X agreed upon), we do not recommend holding procurements as described in the question and have no additional examples to provide that meet Eversource's precise specifications, and, as discussed in the technical session, can share examples of using multiple methods to procure various energy products.

**Enel X North America, Inc.
Docket No. DE 18-142**

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-22

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST: What are the fees charged by Enel X for its services regardless of whether these fees are paid by suppliers or utilities?

RESPONSE:

Enel X fees vary based on the level of involvement required by Enel X. Eversource and Enel X would agree to the fee in advance. We find the structure that suppliers like best is a volumetric fee, e.g., cents per MWH, in which case we would determine the volume of a SOLR auction and base the volumetric fee accordingly. On a confidential basis, we would be willing to share a rough estimate of what we would expect a fee to be. Enel X is confident that ratepayers will benefit from Eversource utilizing a live, online reverse auction, inclusive of any fee.

Enel X North America, Inc.
Docket No. DE 18-142

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-27

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST: Reference Perry/Geller testimony, page 20, line 20 to page 21, line 2.

27.1. If an offer is submitted by a supplier into the live online auction, and becomes the “winning” offer, what obligation does the utility have to accept it?

27.2 If the “winning” offer cannot be selected or confirmed for any reason, would the utility be required to accept the next best offer?

RESPONSE:

27.1 Enel X’s utility-partner maintains control of what bids it accepts, or does not accept. Enel X will recommend, based on pre-determined procurement objectives, which bids to select, however, the utility maintains control of the decision to award any one bid or bids, or to not award a bid.

Enel X will document the utility’s decision in auction reports.

27.2

No. See also response to Eversource 1-28.

**Enel X North America, Inc.
Docket No. DE 18-142**

~~**CONFIDENTIAL ATTACHMENT**~~
(Not Provided with Supplemental Testimony)

**Petition for Investigation into the
Use of Live, Online Reverse Auction in Electric Procurement**

Enel X Responses to Eversource Data Requests, Set 1

Date Request Received: 6/21/19
Request No. Eversource 1-28

Date of Response: 7/15/19
Witness: Greg Geller

REQUEST:

Reference OCA 1-10, footnote 1. For offers submitted into the Enel X system by potential suppliers, 28.1 how binding are those offers

28.1.1 (i.e., what constitutes a “transactable bid”?) and

28.1.2 what are the consequences if a supplier rescinds that offer?

Please provide all documentation and

28.2 indicate relevant provisions that implement or enforce the requirements for suppliers.

RESPONSE:

28.1

Enel X provides the mechanism to collect the most competitive bids possible. Bids in the Enel X tool are not binding until Eversource allocates and awards, and the supplier confirms. In most cases following an auction, the utility calls the winning supplier on a recorded line, confirms the bid volume and price, and makes an award. Some utilities ask suppliers to hold their bid open for a longer period of time, which is acceptable. How the utility and the supplier finalize their agreement does not change.

28.1.1

A “transactable bid” is one that meets the requirements of the RFP to allow utility and supplier to execute a procurement.

For example, a proposed offer to provide default service power supply, according to product specifications set forth in the Utility’s standard RFP, and for which the supplier may not – for a set period of time after the auction closes – change or withdraw the offer. Qualified suppliers that are selected by the utility are required to have in place an executed agreement and agreed form of Transaction Confirmation prior to submitting bids. A winning supplier is typically required to execute the Transaction Confirmation documents within limited time period, after being notified by the utility that it has been selected as awardee in the auction process as a winning supplier, and may be asked to provide any required financial assurance in accordance with the terms of an executed agreement.

28.1.2

The consequences of rescission by a supplier are typically determined by the utility. In Eversource's case, we believe we would model requirements and consequences for non-compliance per what Eversource already articulates in its RFPs.

28.2.1 & 28.2.2

See attached Enel X Wholesale Participant Agreement for relevant provisions incorporated in the 10-page agreement. **(See Attachment Eversource 1-3.1)**

With respect to confidential material responsive to this request, Enel X has a good faith basis for seeking confidential treatment of the subject information pursuant to Puc 203.08 and RSA 91-A:5 because the information contains sensitive commercial information, the public disclosure of which would adversely affect Enel X's competitive position. Enel X intends to submit a motion for confidential treatment regarding the confidential information at or before the commencement of the hearing in this proceeding.

**Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142**

Date Request Received: 09/27/2019

Request No. ENEL X 1-001

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

Reference Shuckerow and White testimony at page 5, lines 5 through 10 wherein Eversource states that Enel X has failed to show that Enel X's process would provide the lowest prices for customers; and lines 15-16 wherein Eversource states that Enel X has "simply not provided any evidence demonstrating that ES prices would, in fact, be lowered, or that other positive outcomes would be achieved." Enel X has provided substantial qualitative and quantitative evidence demonstrating how live, on-line reverse auctions have led to more competitive outcomes.

See,

- (1) Enel X's response to Eversource 1-1, 1-2, 1-11 (specifically response 1.11.2.1), 1-15, 1-16, 1-17, 1-21, Attachment 1-20 Supp., Technical Consultant's Final Report To the Delaware Public Service Commission, Delmarva Power & Light's 2019 Request for Proposals for Full Requirements Wholesale Electric Supply for Standard Offer Service, February 21, 2019;
- (2) Enel X's responses to OCA 1-10, 1-11, 1-12, 1-13, 1-14, 1-15, 1-16, 1-17, 1-18, 1-19, and Attachment 1-19, Technical Consultant's Final Report To the Delaware Public Service Commission Delmarva Power & Light's 2015-16 Request for Proposals for Full Requirements Wholesale Electric Supply for Standard Offer Service, March 8, 2016;
- (3) Enel X's Pre-filed Testimony dated September 7, 2018 at page 11, line 13 to page 29, line 2; and
- (4) Eversource/Enel X meeting of September 28, 2017 Live Demo of platform and Slide Nos. 7-8-9.

Any evaluation of an alternate method of procurement necessarily involves reviewing the current method. To that end, please provide specific, data-based evidence that the sealed bid method of procurement yields the lowest prices possible for Eversource's NH default service customers.

Response:

The Company is not claiming the sealed bid process produces the lowest prices possible. The Company is saying based on the materials proffered it is not convinced that the alternative bidding process proposed will produce the lowest prices possible either. The burden is on Enel X to show that their proposal is superior for the service needed which is an all requirements load following service that only a handful of suppliers are qualified to provide. The Company's testimony, as a whole, explains the reasoning why a change from the current process is not warranted.

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142

Date Request Received: 09/27/2019

Request No. ENEL X 1-002

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

What other procurement method(s) besides the sealed bid method has Eversource or a predecessor company used for procuring wholesale electric supply for default service (or SOLR, or SOS) in the past 20 years?

Response:

From "C" Day, May 1, 2001, through March 2018 PSNH "self-supplied" its default service load; i.e. – Eversource was the load-serving entity in wholesale markets and internally managed the portfolio of load and supply resources. Eversource has also, at times, self-supplied default service load in Connecticut and Massachusetts.

**Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142**

Date Request Received: 09/27/2019

Request No. ENEL X 1-003

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

As pointed out by Commissioner Bailey on December 18, 2018 in the hearing transcript for Docket No. DE 18-002, at page 57, Lines 4-10, Eversource consistently had rates that were four cents higher than those of Liberty Utility customers. In that same hearing, Eversource admitted that they have had “bad” outcomes during previous sealed bid solicitations (Transcript Page 66, Line 24). While Enel X recognizes that certain auction outcomes will be better than others and that there may be mitigating factors in explaining the four-cent difference, what gives Eversource confidence, in light of these bad outcomes, that continued reliance on the sealed bid method of procurement best serves its default service customers?

Response:

Approximately two decades of experience gives the Company confidence in the reasonableness of sealed bid procurements. “Consistently” in the extracted portion of the transcript refers only to some months in the 6-month term for Large customers at issue during that hearing, and not to any terms before or after, and not for Small customer rates at all. Discussion on this outlier result was for this delivery term for Large customers only. As stated in the question regarding mitigating factors, only the winning supplier knows the myriad factors that went into their Large customer offer.

**Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142**

Date Request Received: 09/27/2019

Request No. ENEL X 1-004

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

- a) If bidding behavior changes procurement-to-procurement, would Eversource agree that it indicates that suppliers have the ability to adjust their price and do not necessarily provide their lowest possible price in each sealed bid event?
- b) Given that price discovery has a role in driving competitive behavior, would Eversource agree that it would be best to introduce price discovery in a current procurement event (as opposed to the subsequent one)?

Response:

- a) Bidders may adjust their risk premiums and / or profit margins over time. The Company believes each bidder offers prices in each solicitation at the lowest level it is comfortable with, at that time, given the then current position of their business and their appetite to win the business.
- b) No. The Company believes each Supplier's risk premium / profit margin for a given solicitation is static, not dynamic, based on pricing limits pre-approved by their senior management, which include input from Trading, Credit, Risk Management, Regulatory, and Legal, to name a few, in advance of the auction. Therefore, the sealed bid elicits the lowest price that each supplier is comfortable offering, at that time, given the then current position of their business and their appetite to win the business.

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142

Date Request Received: 09/27/2019

Request No. ENEL X 1-005

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

What are Eversource's current annual costs of procuring default service in NH?

Response:

Eversource's costs associated with default service procurements are provided in its filings for rate-setting and cost recovery from customers. For example, see Bates page 17 of the Company's June 6, 2019 filing in DE 19-082.

**Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142**

Date Request Received: 09/27/2019

Request No. ENEL X 1-006

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

Reference Shuckerow and White testimony at page 5, lines 10-12 wherein Eversource states that Enel X has not participated in other proceedings in Massachusetts, Connecticut, or New Hampshire where the cost and benefits of Enel X's proposal could have been examined.

- a) Does Eversource believe that its current RFP process has resulted in lower costs to its default service customers in Massachusetts and Connecticut than if it used an alternative methodology of procurement such as a reverse auction?
- b) Please explain and provide any proof.

Response:

- a) The Company is saying based on the materials proffered it is not convinced that the alternative bidding process proposed will produce the lowest prices possible. Additionally, the proposed process includes a fatal flaw in the instance of a single bidder, when a supplier may deduce that fact and realize there is no need to lower their opening bid at all.
- b) The Company's testimony, as a whole, explains the reasoning why a change from the current process is not warranted.

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142

Date Request Received: 09/27/2019

Request No. ENEL X 1-007

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

Reference Shuckerow and White testimony at page 4, lines 24-27, wherein Eversource states: "In Eversource's assessment, however, the competitive environment in which ES procurements are conducted...do not foster last-minute reactions in bid prices in order to win..." Would Eversource agree that last-minute reactions cannot be observed as either existing or not existing when the sealed bid procurement design itself does not offer an ability to make such last-minute reactions?

Response:

See response to Enel X 1-004.

**Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142**

Date Request Received: 09/27/2019

Request No. ENEL X 1-008

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

Reference Shuckerow and White testimony at page 4, lines 27-30 wherein Eversource states that suppliers have pricing limits pre-approved by the senior management of their respective companies in advance of auctions.

- a) Given Eversource's assertion that suppliers have pre-approved lower limits for pricing and the reality that suppliers have margin targets in excess of this lowest limit, does Eversource believe that a supplier will offer to their lowest possible price in a sealed bid if they think they can win at a higher price?
- b) If yes, please explain why and also provide any evidence that wholesale suppliers for SOLR products offer their lowest possible price in sealed bid SOLR procurements.
- c) If no, please explain.
- d) In a live, on-line reverse auction, if, for example, Supplier ABC had permission to bid as low as \$30/MWh and saw that the lowest prevailing bid was \$31/MWh with 30 seconds left, can Eversource provide a reason why Supplier ABC would not bid down to \$30/MWh? Enel X has repeatedly witnessed this behavior, as demonstrated in the footnote provided in data request Enel X 1-1.

Response:

- a) The Company does not accept the premise that suppliers have margin targets in excess of pre-approved-by-senior-management pricing limits.
- b) & c) Please refer to the Q&A in the Company's testimony beginning on page 4 at line 21.
- d) No. However, if theirs was the \$31/MWh bid they may not lower their price further. Additionally, if they happen to be the only bidder, they may deduce that fact well before 30 seconds are left and that there is no need to lower their opening bid at all.

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142

Date Request Received: 09/27/2019

Request No. ENEL X 1-009

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

Reference Shuckerow and White testimony at page 7, lines 23-24 wherein Eversource states that that “an increase in costs to customers” is “the only definitive aspect of [Enel X’s] proposed changes”. Please provide the evidence upon which Eversource relies for its position that increased costs to customers are “definitive”.

Response:

The Company receives and evaluates suppliers’ best and final offers in the sealed bid process. This one step in the procurement process would be replaced by a live on-line reverse auction run by a third party platform provider who would need to be paid for their services. Prior to the auction the platform provider would need to design the platform for the unique requirements of the NH solicitation, develop all the terms and conditions to participate and qualify the suppliers to participate on the platform, and then oversee the auction. Also see testimony on page 5 beginning at line 18.

**Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 18-142**

Date Request Received: 09/27/2019

Request No. ENEL X 1-010

Request from: EnerNOC, Inc.

Date of Response: 10/16/2019

Page 1 of 1

Witness: James R. Shuckerow Jr, Frederick White

Request:

Reference Shuckerow and White testimony at page 7, lines 17-18 and line 23 wherein Eversource speculates that “these is a cost for the service which would be passed along to customers in the form of higher Energy Services prices.” Please provide the evidence upon which Eversource relies that, under the live, on-line reverse auction services Enel X proposes for Eversource, the fees paid by winning suppliers would exceed the amount of margin compression in the lowest bids, and therefore lead to higher energy services prices.

Response:

Regarding margin compression, see response to 1-004 and 1-008 a). Given the Company’s view that margins / risk premiums are static for each solicitation and all suppliers are exposed to the same “auction administration cost adder,” it is logical to assume suppliers will simply raise their offers to account for this additional cost, similar to an increase in any other cost component of their offers such as energy, capacity, ancillaries, etc.